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NATIONAL BUSINESS REVIEW

Aucklanders profit from fare discounts

AUCKLANDERS are shopping round among travel agents for the best deals among the cheap but illegal international air fares proliferating through the marketplace.

There is in effect a *de facto* deregulation of the travel market in Auckland — except that operators best able to obscure their deals are becoming richest quickest.

Few agents will bargain through telephone calls — they are openly selling illegal fares over the office counter.

The Government regulations, made under the Civil Aviation Act, prohibit sales or promotion of fares not approved by the Ministry of Transport. This in effect means all fares below standard rates and those of non-IATA discounters, such as Laker-Skytrain.

The validity of these regulations has been questioned, but not challenged so far.

It seems that all international airlines with representation in this country have become involved.

All are fighting to retain their business in a slumping market. Travel to North America and Europe is normally soft in June and July, but June business this year has been much slacker than normal.

Air New Zealand will be fast facing over-capacity, with three new 747s, six DC-10s and some reductions in frequencies on lesser routes. But foreign carriers and many travel agents are

bemused at the airline's illegal buying of custom.

By offering cut-rate deals through wholesalers, and even through some retail agents, the national carrier is reducing the financial profit per ticket in a market in which it stands to lose most.

With command of 50 per cent or more of industry sales here, Air New Zealand in past years played Mr Clean, abiding by legal fare requirements in almost all arrangements.

In this way, it could ensure a relatively orderly market with high yield from ticket sales.

If other carriers or agents were known to breach the rules, Air New Zealand could tip off the Civil Aviation Division of the Ministry of Transport, and those operators would be forced to toe the line.

Now, the most damning evidence in possession of Civil Aviation authorities involves irregularities by Air New Zealand itself.

The ironical situation has developed where anarchy in a market ostensibly ruled by government regulation and policed by the regulatory arm of the Ministry of Transport is led by the airline owned by the Government.

The ministry could not in fairness prosecute any other company while Air New Zealand leads the way in irregularities.

One experienced travel man told *NBR* the market was so riddled with illegalities that it could be cleaned up only if the

Ministry of Transport declared a moratorium on the past, told all airlines to get out of illegal discounting, then harshly invoked the Air Tariff Regulations from a declared date onwards.

The Travel Agents' Association of New Zealand officially frowns on the anarchy, but many of its members are involved in illegal ticket sales.

As long as all retail agencies which want them can get access to cut-rate fares (and it seems they can in Auckland), then they are philosophical about it — even though they know that some wholesalers are getting rich quick on inflated over-riding commissions (a trade euphemism for kick-backs), high mark-ups on net fares and even direct cash rebates.

The over-rides which airlines all pay to travel wholesalers for bulk arrangements have

become standard in the marketplace. They are disguised as payments for brochures or to cover other promotional costs, and in some cases are paid off-shore.

Only a regulatory arm which could force disclosures of internal business information is likely to detect the illegal payments.

But the market has become progressively more unruly in the following ways:

● At least four agencies in Auckland sell Air New Zealand first-class tickets for the price of an economy fare. The ticket bears the full legal price on its face, but the purchaser — usually a regular business traveller known to the agent — is rebated the difference in the two fares, either in cash or through the books. In the same way, some regular travellers are paying advance purchase fares

and getting full economy tickets. It is understood mysterious code marks on these tickets notify the airline's accounts department of the real amount paid.

● Air New Zealand, and at least some of the other international carriers, have made available what they call "dry" group inclusive tour (GIT) tickets without any ground content. These cheap fares are legally available only to wholesalers who put a tour package, complete with ground content, round them.

● The head office of a major franchise chain of agents is supplied with net fares for Auckland/North America route. Air New Zealand provides the tickets for around \$500 for this leg, and the wholesaler then combines this with the cheapest fare available

Continued Page 13

GENERAL MANAGER

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Continued Page 2

Exchange 'surprised'

by Klaus Sorensen

THE Stock Exchange Association was "very surprised" to discover that a sharebroker had been using individuals as nominees without informing those people, but will not be taking any action unless a complaint is made.

Association executive director Earle Stewart told *NBR* last week his group did not condone the action, but was in a similar position to the police — it could not act until a complaint was received.

The broker's legal, but questionable, activities are revealed in the Securities Commission's report into nominee shareholdings in public companies.

A listed company complained to the commission that 15 transfers relating to just less than 10 per cent of its shares had been received.

It felt the individuals might have been nominees for a

beneficial owner, and asked the commission to investigate.

The commission says "we wrote to the transferees, referring to the details in the transfers and asking whether or not they had acquired the shares beneficially and if not, requesting details of the transaction."

None of the transferees answered the letter. But a firm of sharebrokers advised the commission that several of its clients had received the commission's letter. The clients regretted they "were not in a position to provide the information."

The commission summoned the firm and others to appear before it in January to give evidence. They did appear and were represented by counsel.

The matter was heard in private, "and we had a candid discussion" with these sharebrokers, says the commission's report.

Trading interests dominate Anzus attitudes

THE Anzus Council meeting in Wellington proved one thing for business people last week — that the nation's trading interests hold a top priority in foreign policy-making.

Reaffirmation of the principle through the cautious approach of Foreign Minister Brian Talboys to an American hard-sell on the need for a contribution of troops to America's proposed Sinai peace force came at a useful time.

Talboys himself is on record in Parliament, and outside those stone walls on the hill, as saying the rugby impasse won't damage our trading interests in Africa at a time when various salesmen of our farm products are looking to Nigeria and other African and peripheral states as useful potential trade outlets.

And despite the claim that, when it comes to trade, prin-

ciples of foreign policy have ways of mysteriously disappearing, there are no doubts that it is those principles New Zealand will have to put its trust in if the tour goes ahead.

On the Sinai question, however, Talboys gave away little. Diplomats said Secretary of State Alexander Haig was "bloody persuasive" in putting a case for New Zealand and Australian participation. A carrot was held out to the vanity of Down-under politicians — a possible command of the force, estimated to be about 2000 strong.

But after the 36-hour meeting it seemed clear the only way New Zealand would agree to participate was through advance clearance that the Arab states it has developed strong trade links with would not retaliate. The Kiwis said Haig had provided fresh interesting

information on the point, but it clearly wasn't sufficient to win an immediate commitment.

Haig proved keen to keep up the momentum for peace in the Middle East. The argument ran something along the lines that while the Arab states for the most part have no love for the Camp David accords, under which the force would be placed in the Sinai between Egyptian and Israeli units, they really don't have anything better as an alternative to Camp David.

They too want peace. Consequently it may just be that the

assurances New Zealand, and Australia, want before agreeing to take part might come through in back room diplomacy, if not on record.

But it is equally clear that without such assurances there is little chance New Zealand will join in.

Its line of resistance can hardly be faulted in terms of national interest. The point was made during the council meeting that its trade with the Middle East, on a GNP basis, is now equivalent to twice that of the United States with Japan.

Haig assured the New Zealanders that our agreed quantity level of farm exports for this year to the United States would not be tampered with.

He also told them that the United States would give sympathetic attention to their desire that the United States not force a complete reopening of Law of the Sea negotiations. The matter is important because, under the draft treaty provisions agreed after seven years of negotiations so far, New Zealand comes out with

the fifth biggest off-shore economic zone.

It is also given fairly authoritative rights over the continental shelf stretching beyond the zone.

These rights could represent big "bickies" as technology for exploitation of the seabed improves. To have them snatched away because our big ally isn't happy with other provisions would be more than a little frustrating.

That Australia shared New Zealand's view was clearly helpful in discussions on the point.

Nominee deal surprises exchange

From Page 1

The commission found the 15 transferees were nominees

for a single purchaser; they had been selected by the sharebrokers under a general

authority from the purchaser to choose suitable nominees; the transferees were well known to the brokers and would accept the role of nominee; the transferees were not necessarily informed of the use of their names, and were not informed of the identity of the purchaser.

The commission also found that after settlement of the purchases the brokers obtained the selling transfers and completed them by inserting the names of the transferees (the nominees).

The transfers were not executed by the transferees; the broker believed the execution by them was unnecessary because of the provisions of the Securities Transfer Act 1977 (which removed the need for buyers to fill in the transfer).

The transfers were presented to the company and scrip was issued in the names of the transferees.

The broker then obtained selling transfers from the transferees executed by them as sellers, "but otherwise blank, which they held with the scrip on behalf of the purchaser unregistered".

The commission recommends that the Securities Transfer Act be clarified in relation to the use of nominees, but notes that there is another difficulty in the broker's use of nominees.

The Act says nominees used by an intermediary must be "acting in the ordinary course of his business".

The commission says "no doubt persons may give to sharebrokers and other intermediaries a general authority to arrange for the investing of property of others in their

names and on that basis it is perhaps arguable that the provisions of the Securities Transfer Act 1977 are available to implement that kind of business."

"However, we do not regard it as part of the ordinary course of business of a sharebroker to provide a clutch of nominees for his clients, though we accept that it is in the ordinary course of business to provide a single nominee."

The commission says solicitors are restricted to ordinary use of one nominee company and "we think a similar rule should be adopted by sharebrokers."

The commission concludes that "the most serious implication of this example is the possibility of the development of an informal and 'off the record' market in substantial shareholdings. That would destroy public confidence in the Stock Exchange and negate the very basis of the public market."

Stewart told NBR nobody had approached the association, and because the commission was not at liberty to disclose details, the association had little to act on even if it did feel empowered to make inquiries.

But the association was not going to respond, "and we should we" to general comments and observations. "We definitely do not condone the action that the broker took."

The matter has been discussed by the executive of the association and we have confirmed to the commission that we do not condone this activity," Stewart said.

The week in brief

THE rugby union ignored Parliament's half-hearted attempts to stop the Springbok tour. National MPs voted en masse to only urge the union to reconsider. Labour MPs wanted to demand the invitation be withdrawn. Prime Minister Rob Muldoon's mystery ace was reported as an appeal to the South African Government to call the tour off. The rugby union has the trumps.

DON'T be vague, urged American Secretary of State Alexander Haig in Wellington for Anzus treaty talks. The Sinai peace keeping force was dressed in different clothes to win New Zealand acceptance. The Government remained non-committal.

PROPOSALS for a trade treaty with the European Economic Community to end the perennial hassling-over butter and

lamb received a sympathetic hearing, according to Prime Minister Rob Muldoon. A REVIEW of a district court decision not to allow evidence on mining during a hearing of objections to a prospecting licence was held in Auckland's High Court.

The Mining Act 1971 gives an applicant automatic right to mine once they have a prospecting licence. The Environmental Defence Society has brought the action on behalf of objectors on the Coromandel. THE balance of trade moved into the red with abnormally high May petroleum imports of \$150 million. The deficit was \$90.2 million compared with a surplus of \$82.2 million a year earlier. Exports were up \$53 million at \$386.7 million while imports soared to \$677 million from \$441.1 million.

Wine industry divided over 'flavoured' products

THE wine industry's united front is being wrenched by cheap flavoured wines.

One faction argues that consumers are likely to confuse flavoured wine with real wine, damaging the industry's chances of winning a reputation for quality.

The other faction points out that flavoured wine is clearly labelled to avoid confusion, and the consumer wants the product.

A special general meeting of the Wine Institute on Wednesday will discuss proposed changes in the wine laws recommendation to Government.

After a poor growing season and resultant grape shortage, an increasing volume of flavoured wine has been put on the market. Flavoured wine legally may contain as little as 40 per cent grape juice.

Corbans Wines Ltd fired the first shot against flavoured wines with a letter to the Wine Institute. Corbans argued that because the Government had granted the industry protection from imports, the industry should keep its side of the bargain by producing quality wines from pure grape juice.

Wine-makers should be prohibited from making flavoured wines or alcoholic beverages on their premises to ensure a quality image for the industry. Corbans argued that consumers can confuse these products with real wine.

Corbans' attack was clearly directed at Cooks Wines Party Pack and Montana's Muscato Bianco flavoured wines.

The big seven wine-makers — McWilliams, Corbans, Penfolds, Cooks, Montana, Villa Maria and Glenvale — met in

private to discuss the problem. From that meeting emerged proposals likely to be put to Government.

The Wine Institute is expected to ask for a statutory ban on flavoured wine after Montana and Cooks have been given a year to phase out their products.

The present regulations covering alcoholic beverages prohibit the use of preservatives. This effectively prevents their manufacture, because it raises the risk of secondary fermentation in the bottle.

At the meeting of the big seven, it was suggested that Government might be asked to ban flavoured wines but loosen the regulations on alcoholic beverages, provided that alcoholic beverages were labelled so that consumers would be unlikely to confuse them with

wine. This would rule out terms such as "dry white".

Both Montana and Cooks indicated to NBR they would probably comply with any ruling against the manufacture and sale of flavoured wines.

Cooks marketing manager Grant Willoughby said there was a consumer demand for flavoured wine. "We are just giving them the same sort of product they were getting five years ago," he said.

"The consumer doesn't want to pay the price for varietal wines. What he's looking for is a reasonable beverage he can consume every day. So we're putting out the sort of product he can afford."

But Willoughby said Cooks probably would be willing to drop flavoured wine in line with an industry vote to abolish such a category from the regulations.

"I reckon the law won't be changed till next year. This will suit us," he said.

"Now we have a shortage of grapes. We know next year we will have grapes coming out of our ears. Then we won't have to make it."

"We'd be glad not to make flavoured wine. But we see others doing it and say to ourselves why shouldn't we be in with them? We've got the capacity and production capabilities. We'd be foolish not to be involved."

Willoughby said consumer demand for Cooks Party Pack flavoured wine was so great the company had to put its Mercer plant on two shifts.

Production was running at 11,200 litres a day, he said.

The company produced Party Pack because "we've still got a responsibility to the shareholders to make money."

Party Pack solves at least four problems for Cooks:

● The company is short of grapes and flavoured wine contains less grape juice than real wine.

● Because it is protected from competing imports, the wine industry is charging wildly escalating prices for its products. Party Pack fills a need where consumer price resistance slows sales of good wine.

● Cooks is starting to export to Germany. The Germans won't accept wine without at least a year to 18 months bottle age. Bottle ageing means carrying expensive inventories for long periods. Party Pack provides cash flow while the good wines age in the cellar.

● Flavoured wine provides throughput for Cooks under-utilised bottling plant.

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DEPARTMENT OF LABOUR

The week

Freezing industry goes to Canada

by Ann Taylor

THROUGH consultation with the unions, freezing company employers hope to introduce new technology to an industry historically troubled by costly confrontation.

Meat workers, freezing company employers and the Government have formed a consultative committee to deal with the introduction of technology to the country's freezing works.

And a team of 12 trade union and industry representatives left for Canada on Friday to look at the process of joint decision-making used there in the meat, motor, pulp and paper, and forestry industries.

The employers have at stake a \$400 million wage bill, which is up 60 per cent of processing costs.

The meat processing industry costs, in turn, comprise only 15.7 per cent of the total cost of the retail price of lamb in, for example, the British market.

The unions claim that 10,000 jobs are at risk over the next 10 years as employers introduce technology to increase efficiency and reduce costs.

Freezing Companies Association executive director Peter Blomfield said there "will be a number of people displaced for their traditional jobs, but we have responsibility to the people who come back year after year."

That might entail retraining,

"and we're looking at the possibility of further processing", he told NBR.

But "if costs don't come down in the processing area, then there will be more diversification on the farms into forestry and horticulture", and the meat industry would not increase its throughput.

Blomfield advocates the introduction of a retirement age — "some of them are 80" — and a four-day week on a seven-day roster "to make more efficient use of the resource and increase throughput without having to build more works".

Blue Kennedy, secretary of the Meat Workers Union, addressing a meeting of Federated Farmers in Wellington last week put the union's concerns.

He said the role of the trade union movement is "a protective one", and that 3 per cent of the workforce was responsible for 40 per cent of foreign exchange through meat sales.

The unions had been faced with two options — a blood bath "knock them down and drag them out" — or consultation.

In consultation with the

FOL, they came up with an agreement to "facilitate the introduction of technology exclusively on the grounds that there is no displacement".

The May meeting with FOL officials produced a consensus document which the employers are regarding as the union's starting point.

It calls for a coherent, coordinated union response to defend workers in the industry.

It recommends that the development of industry policies "oppose the opening of new works in the future unless there is full consultation, facilitate a trade union investigation of the industry in all its phases including marketing, the need for further processing and promote public ownership and control of the processing and marketing aspects of the industry".

The employers have undertaken not to introduce any technology without consultation before the committee meets on August 3.

But already in the South Island the unions are claiming that Waitaki NZ Refrigerating and Canterbury Frozen Meat

are "going along their own merry way" and trying to put in a computerised weighing machine.

A spokesman for the Meat Workers Union which covers the South Island sheds told NBR that the employers "have consulted, just".

"If they want to get the consultative committee to operate on a reasonable footing they would be a lot better waiting until the delegation comes back from Canada and we can consult on a national basis," he said.

The employers said the computerised machine was not "new" technology; the award includes rates for operating it; there is agreement with the Clerical Workers Union on its introduction; it had been planned for some time and discussions have been held with the workers at the sites.

"Somebody who wanted to go to Canada wasn't invited" seemed to be the employers' explanation for the introduction of the machine. Trouble arose only when the joint consultative committee was organised.

Whitehaven borrows \$565,461

by Warren Berryman

WHITEHAVEN Holdings, the company attempting to take over New Zealand Land

Securities Ltd, has borrowed \$565,461 from CBA Finance Ltd. It has put up the shares it now holds in NZLS as security. Whitehaven, a \$300,000

capital company owned by NZLS directors John Martin and Richard Solomon and Wellington stockbroker Bruce Buxton, a director of NZLS's major subsidiaries, made a bid for NZLS on February 26.

Whitehaven directors told shareholders their 25 per cent share bid for NZLS was generous. An independent valuer valued the shares at 18 cents. But several NZLS shareholders claimed the NZLS directors were trying to buy the company cheaply.

A mystery buyer entered the market, outbidding Whitehaven with a 35 cent share offer, and bought up more than 10 per cent of the shares. This blocked Whitehaven from compulsorily acquiring all the shares.

At 25 cents a share, the total shareholding of NZLS is worth \$677,500, and at 18 cents a share, \$487,800.

CBA Finance's willingness to lend \$565,461 on the 80 to 90 per cent of NZLS shares now held by Whitehaven is further evidence of the share's worth.

Whitehaven is paying 26 per cent interest (reducible to 24 per cent) on the CBA Finance loan. The repayment schedule calls for payments of \$12,251 a month for the first six months and \$14,676 a month thereafter, leading up to a final lump payment of \$449,956 in October 1984.

This heavy debt servicing commitment — on top of other debts due from NZLS itself — is an indication of the profitability expected of NZLS's hospitals.



"We'd hate to see you quit, because I don't think we could hire a replacement to work for such low wages."

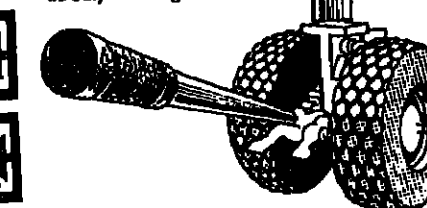
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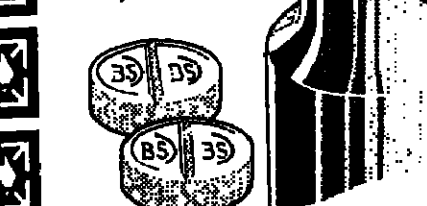
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Editorial

THE Anzus Treaty was signed 30 years ago, in an era when Australia and New Zealand were still apprehensive about the Japanese peace settlement after World War II, and felt threatened by a bellicose Communist China. Today, Japan is one of our major trading partners and an influential ally of the West, and China has become sufficiently amicable for America to be expressing its willingness to sell arms to the Peking Government.

Anzus remains the cornerstone of our defence policy, but its worth has been questioned, among other reasons, on the grounds that the obligation to host American warships makes us a target for Soviet nuclear weapons, and therefore it invites attack rather than shields us.

Concern about Anzus is strong in the Labour Party. In May, party members defied the advice of parliamentary defence spokesman Michael Connelly, and called on a Labour Government to withdraw from "all nuclear military alliances". Party leaders hastened to emphasise that the remit did not commit a Labour Government to pulling out of Anzus; those proposing it suggested otherwise.

Last week, Labour Leader Bill Rowling advised American Secretary of State Alexander Haig that a future Labour Government would probably seek a policy of "disclosure", so we knew which visiting American warships were carrying nuclear arms. But the Americans stick to a policy of not disclosing, for strategic reasons, which of its warships carry nuclear weapons, and a disclosure concession by Washington appears to be highly unlikely. Perhaps Rowling recognises that reality, and was merely making a gesture to appease the Anzus critics within his party. But he also pointed out to Haig that

Labour would ban visits from nuclear-powered warships and would continue to support the establishment of a nuclear weapons-free zone in the Pacific. Whether Labour can endorse Anzus on those terms is a moot point. If New Zealand is to depend on an American defence umbrella, it is absurd to ask for the nuclear ribs to be removed.

But while Labour must try to untangle some fundamental contradictions in its attitude to Anzus, the Government is not without problems in reconciling what it perceives to be the national interest with American expectations from a treaty partner, and with America's own view of its best interests.

Thus Haig will be going home to advise the Reagan Administration about our concern — as well as that of Australia — at the prospect of a wholesale revision of the draft provisions in the Law of the Sea Treaty. As drafted, of course, the treaty gives us the right to the fifth largest exclusive economic zone in the world, plus parts of the continental shelf beyond the 200-mile limit. We fear that our advantage will be lost if the whole of the text agreed so far is thrown open for revision, but in the United States, a new administration wants to look at the treaty to ensure that it is in accord with its policies.

There is an Anzus consensus that the greatest threat to peace and stability in South-east Asia "is the growing aggression and encroachment of the Soviet Union to the area, both directly and through proxies," said Haig. And the Anzus partners support plans to seek a political solution to the Indo-China problem through the United Nations-sponsored conference due to be held in New York next month (although prospects of a settlement being reached at the conference are slim).

The Indo-China situation has reached a stalemate, and the longer that stalemate prevails, the more the Vietnamese consolidate and become dependent on the Russians. The Vietnamese have 200,000 troops in Kampuchea, where the Khmer Rouge serve only as an irritant. Meanwhile the Russians are said to be pouring \$3 million of aid daily into Hanoi, and increasingly they are using South Vietnamese ports as bases for long-range reconnaissance aircraft and supply ships en route to duty in the Indian Ocean. Some American experts foresee a Russian desire to develop the ports to enormously improve the range of Russian ships in the Pacific and Indian Ocean fleets, and threaten allied oil and trade routes at the strategic Straits of Malacca. But the Anzus partners disagree on how to deal with the threat. NZ and Australia believe that isolating Hanoi may be pushing the Vietnamese further into the hands of the Russians, and want a gentler approach; the United States seems determined to keep Vietnam isolated, and Haig rejected our line of argument. He made clear that Washington policy toward Hanoi was unlikely to change till there was a dramatic change in policy from Hanoi itself.

The major issue discussed last week was the US request for New Zealand and Australian troops to join an American-sponsored task force to police the Sinai peninsula after Israel's scheduled withdrawal next April. Haig said we would play a limited but specialist role in the proposed force, but New Zealand fears that retaliation by Arab nations opposed to the Camp David accords.

Haig is said to have given "useful information" about attitudes in the region, to be weighted in arriving at a Cabinet decision. (Just what it was, no-one was saying officially, but it was vaguely described as new and positive, and Haig's assessment was said to have eased many of our reservations.) Presumably, it involved assurances that the posture taken by the Arab states against such a force being backed by the US, rather than the UN, was more one of rhetoric than action. But given America's track record in the Middle East, assurances based on United States intelligence shouldn't be worth much.

There is much at stake if we make the wrong decision. In the year to June 1980, the Middle East was taking 5.3 per cent of our exports (and was the source of 8.2 per cent of our imports, mostly oil). More significantly, the Middle East is now our most important market for export lamb; this season, for the first time, more lamb is expected to go there than to Britain.

The Anzus alliance has traditionally regarded the Pacific as its major sphere of interest. The Anzus council meeting last year shifted the focus westward, when Australia and New Zealand agreed to contribute to an expanded military presence in the Indian Ocean. Now we are expected to go even further westwards, and there may not be an Arab backlash. But the region is notoriously volatile and the American proposal has nothing much to do with our immediate defence problems. As partners in Anzus, we accept the United States as our most important defence ally, and refusing an American request must put strains on the alliance. But the likely benefits from participation scarcely seem to justify the obvious costs, let alone the potential ones.

Bob Edlin

Without word of a lie

Just pie in the sty

LABOUR'S David Lange was sparkling in the interjection department in Parliament the other day, and one of his gems deserves sharing among an audience more appreciative of good wit than party colleagues, who happened to be within earshot.

Haigard doesn't record the lines, so some precision may have been lost in the retelling. But it seems that the Government's Paul East wanted to know how much money the film *Goodbye Pork Pie* had grossed overseas.

Lange confessed: "I didn't know he'd taken a film crew with him."

Shifty base

"A SOUND basis for public debate" on unemployment was commissioned by Labour Minister Jim Bolger in January. Promoted as a booklet for the person in the street and prepared by independent consultants Link, it was to be available in March.

After employing public servants for four months through nine drafts, the booklet was released last week. Twenty thousand copies have been printed, and its main purpose: "to inform people about job creation schemes".

In January, Bolger said the independent survey "would inform people about the present situation" (32,493 unemployed at January 29), "the prospects" (32,614 unemployed at June 10) "and employment policy".

But after massaging by civil servants, the booklet will "provide a sound basis for widespread public discussion on the directions of future employment policies".

But the independent look at what is going on, completed on schedule four months ago, is still there, we are told — "if you read between the lines, very carefully".

Brookie's view



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Wiped out: National's strategy to straddle the tour

by Jeff Gamlin

It is a matter of minutes the "straight talking" Ben Couch seems to have wiped out the National Party's strategy for navigating the perils of a Springbok tour. Just as inadvertently, he revealed the starkness of the choices remaining to National and its closeness to the edge of political disaster.

Along, National's strategy to the tour has to operate within two immovable immovables:

1. The party could not be seen to be associated in any way with a decision to cancel the tour.
2. The pattern of support for and against the tour revealed by the latest *NBR* poll indicates the need for political necessity for National to keep a distance.

Support for the tour is strongest in rural and practical areas, where the challenge to National from Social Credit is strongest. If National were seen to be associated with a decision to cancel the tour, Social Credit would remain a truly pro-tour political party.

National has had to consider the international front. The experiences of 1976 would have convinced the party of the folly of believing that the domestic political scene could be insulated from the consequences of international opinion. The All Black tour to South Africa that year made us an international pariah, resulting in the walkout from the Montreal Olympics of African countries in protest over the Government's overt encouragement of sporting contacts with that country.

The dramatic change of views recorded here last time indicated that most New Zealanders do not believe international opinion could be ignored. The lesson for National was that further encouragement of such contacts could produce an international reaction that could influence the domestic political scene enough to greatly further the prospects of Social Credit as the only anti-tour party.

Caught between the prospect of Social Credit taking a harvest of rural revenge and of Labour emerging triumphant from the ruins of a shat-

tered international reputation, National's options have been narrow. Its answer has been to use the Glenageles agreement itself, at first as a means of defence, but more recently as a means of attack.

When the agreement was promulgated, New Zealand appeared to be in a position of weakness. The force of international opinion had required a National Government to take account of what others were thinking and to back down to an extent which would have been unthinkable previously.

The agreement expressed on two principles: an "abhorrence of apartheid" and the need for signatories to "actively take all practical steps to discourage sporting contacts with South Africa". Apartheid was seen to be beyond the pale, and "bridge-building" as a justification for sporting contacts was no longer tenable.

But memories in this country of the circumstances which led to our accepting Glenageles have faded, and the Government has come to see the agreement itself as the means of justification for a policy of non-intervention over sporting contacts.

By stating its opposition to sporting contacts, and so claiming to have taken all practical steps to discourage them within the means available to it in our political democracy, the Government had muted the impact of international opinion on the domestic scene.

Further, it had invoked Glenageles to deflect the thrust of the domestic argument away from the practice of apartheid towards the political freedom of New Zealanders.

The apparent success of this two-sided strategy engendered a growing sense of confidence among National MPs. Some, such as Deputy Prime Minister, Duncan MacIntyre, felt free to publicly state that as a member of the Government he was opposed to the tour, but as an individual he was in favour of it. Others felt no need to make such qualifications and came out strongly for the tour.

Then Ben Couch entered the scene. He had already acquired a reputation as a National MP staunchly in favour of the tour. His statement that he "supports apartheid" was a blow to Na-

tional's strategy and has given the party's political opponents, both overseas and within the country, some priceless ammunition to turn the tables.

The point behind the Glenageles requirement that governments actively discourage sporting contacts with South Africa was the "abhorrence" felt towards apartheid. For a Government minister who has long been saying he supports the tour to tell the television public that he also supports apartheid severed that vital link and exposed the inherent weakness in National's strategy.

Those MPs who have actively supported the tour, and those whose position has been ambiguous (who together constitute a majority of National MPs), are now open to the charge that they have never had a sincere commitment to Glenageles.

They may not actually support apartheid, but the depth of their commitment to that part of the Glenageles Agreement which obliges them to actively discourage the tour can be successfully challenged.

The damage has been done, whatever National may do to retrieve and explain the situation.

If there is one quality which people recognise in Ben Couch, it is that of being a "straight talker". It is hard to believe that the defence of Couch being "naïve" will receive much appreciation overseas.

In the eyes of other countries and international organisations such as the Commonwealth and United Nations, Couch will be viewed as the Minister of Police and Maori Affairs who publicly stated his support for the tour and for apartheid.

Any claim by the Government that it is sincerely carrying out its Glenageles responsibilities will have no credibility overseas. In the future which is bound to result if the tour still takes place, National will have no policy to serve as a shield that keeps the force of international opinion out of domestic party politics.

National's flanks have been exposed internally, too. Its capacity to link the rights and wrongs of the tour to the freedoms of New Zealanders, rather than to the rights and wrongs of apartheid, has been eroded.

If the tour proceeds, National will have no credible defence against outraged international opinion, or against an emboldened and growing anti-tour fervour. Any attempt to ignore the rest of the world, and to try to turn the tour into a domestic law and order issue, will rebound and bring into question National's capacity, and even fitness, to govern.

The resignation or sacking of Couch would not suffice now. The inherent contradictions in National's basic strategy have been exposed, and the sacrifice of the Minister would do little to restore its credibility.

The only escape from the political repercussions open to National is for the tour to be called off. But National is irrevocably committed to non-intervention. Thus National's fate is in the hands of the intransigent Rugby Union.

But it is hard to believe that a party which appreciates pragmatism and wants to hold political power will leave its fate in the hands of others. And Ken Couch's turnabout on the issue suggests that National is using every link it has with the Rugby Union to plead and cajole for a cancellation.

Every day that Couch remains a minister reinforces the idea that this is Government's policy. For both Couch to be sacked and the tour to be cancelled would be too much for rural rugby supporters to swallow.

The survival of National could be determined by the extent to which it can publicly distance itself from a cancellation. Any hint of threats to use official Government authority will never be understood by unrepentant rugby lovers.

Jeff Gamlin is a Wellington schoolteacher and former political researcher with a particular interest in political polls.

Without word of a lie

Porcine poesie

WIFE over Banjo Patterson. It seems that someone in the National Party has dug up a *Change*.

We refer, reader, to a document, ostensibly from National's Helensville electorate, entitled *The Poems of Chairman Eddie*.

One poem, titled "Ode to all Piggies", runs as follows:

Some call him Piggy and think it's smart
To do they know what it's all about
To find the Pig is number one.
By other animal he will con-
fess and siney, long and lean
Whether shines or is as clean
His eyes are bright, his brain is clear
To take a look next time you're near...

Bendon busts

WICKLAND undergarment manufacturer Bendon Industries can claim to have succeeded in the American Army failed.

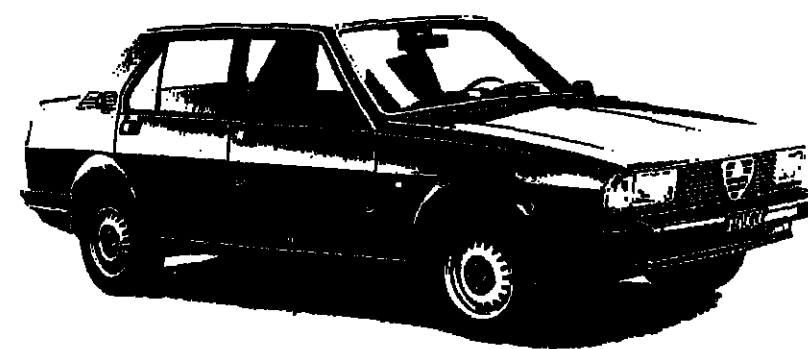
Chairman Mark Sheffield recalled last week a day about the growth of the lingerie market in Papua New Guinea.

Before the war the women didn't wear underwear, but with the arrival of American GIs the status symbol became the American bikini — but with two holes cut in ap-
propriate places in the front.

That was until Bendon arrived — now the bikini symbol is a Bendon Bra.

Kilo-what?
FROM the tidy minds department, the ultimate in mathematical exactitude — the decimalised day and the metricated month.
The last of the array "imperial" measures has been reduced to metric order — and here better to find a bureaucratic mind to sort out the confusion over 60 seconds, 24 hours, seven days, 52 weeks and 12 months than in the administrative ranks of the Broadcasting Corporation. No one else, we suspect, than a BCNZ

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Letters

Solar heating already tried

IT was good to see your first contribution from NBR readers suggesting alternative resource development strategies was on the theme of solar water heating. Norman Smith's suggestion that a million solar water heaters should be supplied free to all NZ homes however, is not as radical as some might think.

The Tennessee Valley Authority is now supplying 100,000 of its customers with solar water heating appliances each worth \$2000 at no initial cost. The units are then amortised over their working life by means of small payments added to the customer's regular electricity bills.

The value of the energy saved thereby is such that the bills compared with those for non-solar equipped households will diminish steadily and the TVA calculates their solar input will be the equivalent of constructing another hydro or nuclear plant.

Although the TVA is many times larger than the NZED, there is much in their respective operations (both being largely hydro based) which makes them comparable. It is to be hoped our power planners are not too dedicated to dams and thermal stations to see the merit of the TVA approach to solar energy.

J D C Lalg
Auckland

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**THE
CAPITAL
LETTER**

Balancing act Socred-style

I READ with interest A J Pappill's letter (NBR, June 1) outlining seven points concerning Social Credit which he would like clarified. Although I am not a Social Credit spokesman, I believe that I may be able to help Mr Pappill with his sixth point.

Fundamental to Social Credit economics is the need to correlate the money supply to the quantity of goods and services produced. So important is this that the cornerstone of Social Credit policy is the formation of a New Zealand Credit Authority charged with evaluating domestic output and balancing the money supply to that output.

As Mr Pappill probably knows, at present the money supply changes rather haphazardly, affected by overseas exchange transactions, Government deficits, and bank lending. Social Credit pledges to regulate the money supply directly through the credit authority.

As yet Social Credit has not explained in detail how it will take control of the money supply, but it seems obvious to me that a Social Credit Government will gradually raise the reserve ratio for demand deposits to 100 per cent.

An increase of 2 percentage points a month would reduce trading bank lending by \$40 million a month and permit the credit authority to lend out this amount at very low interest

rates. Such a transfer of lending power would not increase the money supply.

Furthermore, as increases in the money supply become necessary, the credit authority will issue low-interest loans to balance increases in domestic product or decreases in the velocity of money.

Let me remind Mr Pappill that Social Credit has earmarked these low-interest loans for capital works and capital equipment for local bodies, farmers and small businesses. Such investment is very desirable, particularly given our declining rate of fixed capital formation (NBR, May 18).

Moreover, the growth in domestic output engendered by these investments will then permit the credit authority to increase the money supply with further low-interest loans. And so on.

It should be noted that the scheme I have outlined neither aggravates inflation nor necessitates an immense bureaucracy. Admittedly, it is

nores savings and fixed deposits, but Social Credit statements clearly indicate that such deposits are not considered to be part of the money supply.

I hope that this brief exposition has been of some assistance to Mr Pappill. Certainly Social Credit's financial policies are no more idiotic than National's.

Steven C Darnold
Alexandra

Misguided protection

THE Government's emphasis on the relatively superficial freedom of travel to play sport seems specious and indicative of shallow philosophy, when it restricts freedom of trade, apparently more extremely than any western country.

This degree of protectionism axiomatically gives New Zealand an extraordinarily high

cost economy, with high underlying inflation and misallocation of resources; thence its low productivity, over-valued currency, increasing indebtedness and international price uncompetitiveness in almost all except the pastoral industries (despite the economic environment which must also jeopardise "Think Big").

D I Hall
Waenga

Other side of the picture

SORRY to be taking NBR to task, but we feel compelled to comment on the article by Ann Taylor (NBR, June 6), covering the pros and cons of the Link Report.

It wasn't the text but the photograph that went with it which concerned us — a picture of a cut made at Martha

Hill, Waihi, during early prospecting operations.

This cut, described by Ms Taylor as "The despoilation of Martha Hill", was made some time before the present joint venture started work on the project.

The point is that the photograph illustrates built sampling and totally misrepresents the current prospecting programme, which is based on diamond drilling.

While even this method has its opponents, it does have the advantage of minimising any effect that prospecting may have on the environment, and does not call for large earthworks of the kind shown.

In fact the only earth-moving that is being undertaken at Martha Hill is to provide access tracks for the drilling rigs from one site to another.

Please don't regard this as a complaint. We simply wish to set the record straight.

M Baker,
Project Manager,
Amax Exploration NZ.

Politics

Some subliminal sophistry for the sophisticated

by Colin James

SOPHISTRY is the close companion of politics and the more clever the debater the more subtle the sophistry.

So I enjoyed particularly the line followed by Attorney-General Jim McLay in a *Focus on Politics* radio discussion with David Lange about the failure of Parliament to devise a unanimous resolution on the tour in the big debate on June 18.

The move founded on the Government's insistence on holding for its refusal to withhold visas from the Springboks which Labour tried unsuccessfully to delete from the resolution.

McLay argued that, having said in opposition to that case clear, Labour could have voted for the whole resolution, thus giving unanimity.

Was he seriously suggesting that on the crucial point of difference between the parties, Labour could have supported the Government in any form? Was he suggesting that if the majority had been the other way, he would have voted for withholding visas as part of a larger motion, the rest of which he agreed with?

Of course not. He and his side argued black and blue on the sanctity of freedom of movement.

Immigration minister Aussie Malcolm made the point with great clarity: if we once interfere with this fundamental freedom, where will it end? Democracy is a delicate flower, dependent of jealous guarding of our unguaranteed freedoms.

Malcolm might have drawn, but did not, an horrific warning from the South African experience: first one slice off one

freedom, then another and another, each not great in itself, until almost imperceptibly the point of no return towards totalitarianism is passed.

But why could not the Government have accepted the Labour proposal to divide the resolution into three parts?

Everybody could have voted for the Gleneagles agreement, against apartheid, for reconsideration by the rugby bosses and for protest to be lawful and peaceful. And the Government could have had its majority — with Social Credit help — on visas.

But even such unanimity would have been deceptive. The Government's motion did not specifically oppose the tour, nor specifically demand the rugby union call it off, but merely "reconsider its invitation".

When Labour tried to

substitute "withdraw" for "reconsider", the Government voted it down. It had to because that change was attached to the amendment to remove the visas clause, but it is clear it would have done so anyway: have not 13 of its MPs said they favour the tour?

So if "unanimity" had been achieved the Government way, it would, as Ces Blazey said, have told him nothing he did not already know: that all MPs say they are for Gleneagles, that most are against the tour and the parties are split on visas.

The only new factor would have been if the Government had whipped its pro-tour MPs into a direct call-off-the-tour stance — as Labour invited it to do by its amendment to the Address-in-Reply.

It is deliciously ironic that, in its deep concern to preserve

sportspeople's freedoms, the Government used the mighty machine of caucus solidarity to whip a weeping Marilyn Waring into its voting lobby against her will.

Even the best of freedoms go only so far, you understand, and sometimes one freedom has to be given up in defence of another.

Tradeoffs between freedoms is one of the issues in the tour argument. Should the freedom of our sportspeople to play whom they like take precedence over the denial of basic freedoms in South Africa?

Another issue is the tradeoff between freedom and damage. The tour will diminish other sportspeople's freedoms to play whom they like, since there will be boycotts. In the words of that arch-promoter of freedoms, John Stuart Mill, it will "prejudicially affect the interests" of those other sportspeople.

And there is damage to international prestige: we will lose the Commonwealth finance ministers conference and find ourselves cold-shouldered in other places. So there is a tradeoff between freedom and national interest.

The Malcolm case is that the freedom weighs very heavy in the balance against the other factors. But it is unclear exactly what freedom the Government is defending.

Sometimes it is freedom of movement (but surely if we are to worry about the freedom of one lot of foreigners, some white South Africans and a non-white or two, to come here, we should also be concerned about the freedom of another lot of foreigners, the black South Africans, to possess some basic rights).

Sometimes it is the freedom to invite here whom we like (but remember the fuss a couple of years ago over Jose Ramos Horta, the Fretilin leader).

Sometimes it is simply the freedom to play sport against who we wish.

The National Party's 1978 election policy declared: "The right to engage in international sport is a fundamental freedom of New Zealanders."

It also declared: "Decisions on international sporting contacts will continue to be made by the sporting bodies concerned and not by the Government."

I think most New Zealanders agree that the right to play international sport is fundamental. As a country we are sportsman and so it is an appropriate categorisation.

But surely the level of verbal Government pressure on the rugby union is not wholly consistent with the 1978 promise of sports autonomy?

Yes — and no.

A minister and several MPs have been running round saying the tour should go on. Others, including ministers, nominally against the tour, "gave hints" to the *New Zealand Herald* "that they personally wanted the tour but were following the Government line."

Thus the rugby union is likely to have been getting confused signals from the Government, despite the official stance. The union might have (at least until recently) been forgiven for thinking the Government was giving it a wink.

After all, no one interfered

with Ben Couch when he said right from his first day in the Cabinet that he favoured the tour. They knew he was speaking for the ordinary bloke — the voter who had mauled the Labour Party in 1975 for cancelling his 1973 tour and for being soft on stirrers, protesters and commie wreckers.

This ordinary bloke is not too susceptible to grand "growth strategy" designs — and is susceptible to resentment at trouble in the economy.

If you were the Government, what would you do?

Point one: You would trumpet the growth strategy to prove to your nervous owl that you were being positive, visionary and responsible.

Point two: You would pass up no chance to talk about communists in the unions and the protest groups, thus in the national interest of course, rousing and sustaining fears and prejudices about disrupters of the New Zealand way of life.

The technique for point two needs to be a bit like subliminal advertising: planting the idea without the recipient brain actually seeing the implanting image.

So we have had a Security Intelligence Service list of communist unionists; and when the Government has a spot of bother with the Federation of Labour, Ken Douglas is spotlighted.

On the other side of that particular coin, the Labour Party is switching its emphasis from opposing the tour to constantly abhorring and counselling against violent protest.

So while the big guns blaze out across the battlefield of development strategies — probably to the bemusement of the great bulk of voters — in the hedgerows and ditches and back alleys of political imagery another, almost hidden, war seems to have been joined, perhaps intentionally, perhaps intuitively and unconsciously.

There the dagger rules rather than the gun, the subliminal image rather than the grand tableau.

The pro-tour ministers and MPs could fit easily into that second war, helping to keep the ordinary sports-mad, anti-protester (and anti-black?) bloke on National's side.

But it is a tactic requiring great skill and a steady nerve. If that is what the Government was after in letting a "foolish" minister loose, it has already reaped the international whirlwind of isolation and opprobrium.

Internally, who knows where the chips lie? The Government may still be ahead with the ordinary bloke. But the ordinary bloke's prejudices can be notoriously fickle — and vengeful.

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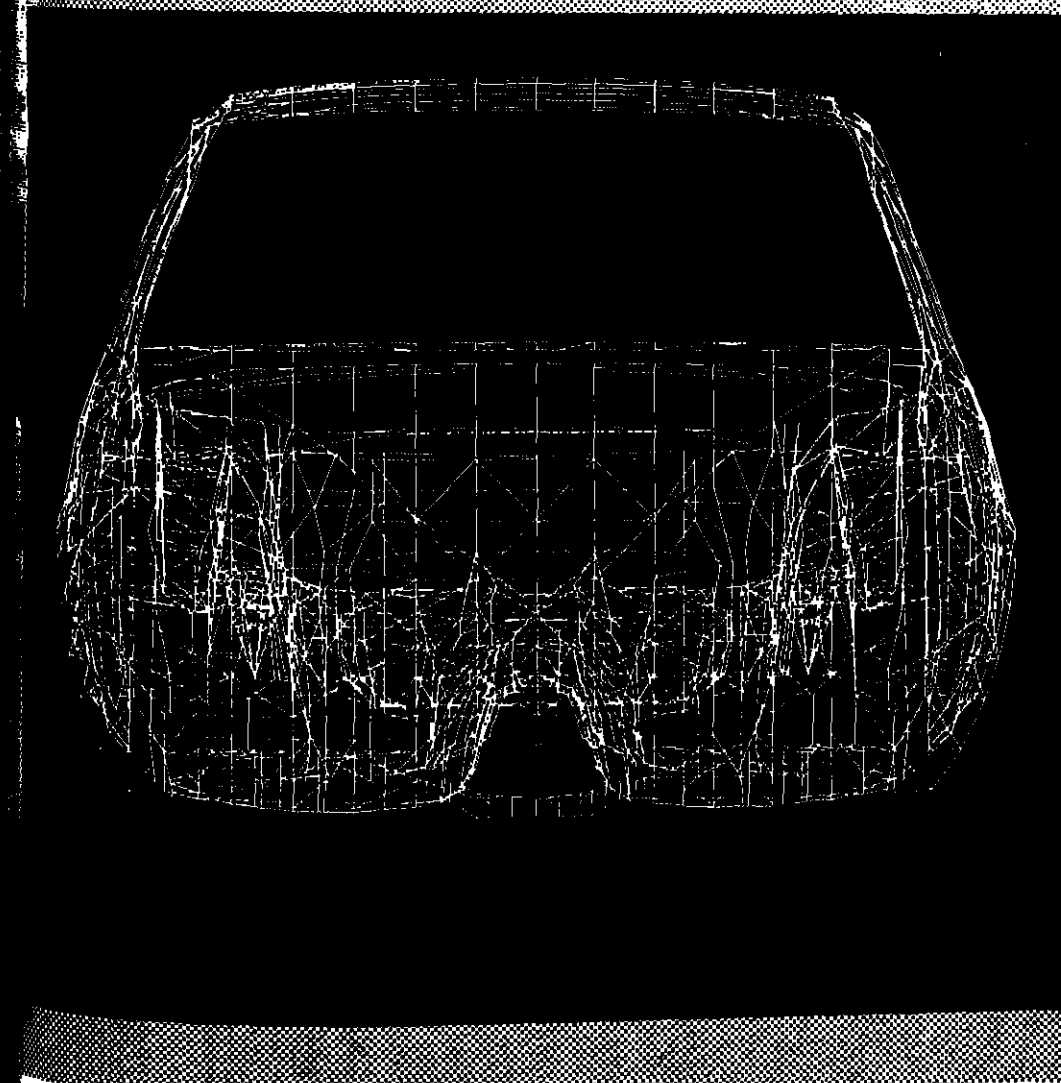
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quiet ride. The touch of the wheel says you are in control. Your foot on the brake brings a swift, sure stop. That's a good, secure feeling. That's the Toyota Quality Edge.

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Economics

Little tax relief likely in Muldoon budget

by Bob Edlin

Finance Minister Rob Muldoon is touring overseas officials who were involved in the abortive tax-wage trade-off talks have been turning to other problems and the point to a Budget which shows much in the way of tax cut.

The would mean that the Institute of Economic Research will have to fundamentally rethink its latest forecast of an annual deficit of almost \$2000 million in the current fiscal year, for its next issue of *Quarterly Predictions*.

The June issue of *Quarterly Predictions* assumes in its forecasting that there will be no wage bargain and no tax cut in the Budget. It thus assumes a Government budget deficit before borrowing about \$1000 million in the current year (just under 7 per cent of GDP).

It says that if the Government does reach a tax-wage bargain with the unions, the deficit would be more than \$1000 million unless the Government chose either to cut expenditure by a corresponding amount, or increase other taxes to compensate for the drop in personal income tax receipts.

Neither, financing the deficit "would pose a 'no-win choice' between borrowing or pushing up interest rates."

Additional money-creation would have inflationary consequences, so losing some of the gains from the trade-off.

While excluding the implications from its forecasting, *Q.P.* nonetheless examines the consequences of a tax-wage trade-off.

The Project on Economic Planning (PEP) at Victoria University has also completed work on the implications of a wage bargain, taking a more econometric modelling approach, and drawing a picture (but preliminary) conclusions.

Q.P. examines whether the deficit would be so large after a wage trade-off that it would lead to a further increase in inflation.

Those who want the fine print of the study suppose a wage trade-off taking place within an inflation rate of 10 per cent would be round and so find it on Pages 18-21 of the latest issue.

The substantive issue faced is whether the net budgetary cost of the circumstances forecast for 1981-82, is too large.

The increase in the deficit

SOME RESULTS FROM JOANNA MODEL

Effects Of:

	1 per cent cut in real wage rate	1 per cent rise in real private consumption
(other variables held constant)		
	percentage change	
Employment	1.074	0.217
Money wage rates	-2.208	0.628
Consumer price index	-0.998	0.415
Overseas current receipts	1.211	-0.662
Overseas current payments	0.007	0.628
Real GDP	0.634	0.184

Change in overseas current balance of payments \$43.5m - \$42.2m

of some \$200 million in 1981-82 (\$440 million for a full year) be likely to negate the potential for lesser growth rate in the CPI following the wage-cut?

Rather than give a straight answer, *Q.P.* insists that "no-one can be unequivocal on this issue".

It does remind us of research which suggests that gains can be made, both in terms of a reduction in the inflation rate and improved employment and growth. "But the gains are not large. Their size is sensitive to the size of the deficit and how it is financed."

Strong interest rate effects, feeding through to prices and output could offset much of the potential gain; so, too, could the inflationary impact of an excessive monetisation of the deficit, *Q.P.* notes.

And the likelihood of lower inflation "is reasonably certain only when government expenditure is reduced to offset the budgetary cost of a wage-tax trade-off."

The balance is delicate at the best of times, says *Q.P.*, but "all the more so when, as in the current forecast circumstances, the trade-off adds to an already quite large deficit which is largely monetised."

It concludes: "On balance, we think the wage-tax trade-off would be a helpful policy if the resultant deficit for 1981-82 was not monetised, and if government can hold its expenditure growth in 1982-83 so as to offset the budgetary cost of the trade-off in that year. If we are to fully realise the potential for gain in any wage-tax trade-off, the policy will need to operate within a fairly stable set of economic conditions for at least 18 months."

NBR reported in September

last year on some results, relating to restructuring and unemployment, from the medium-term planning model developed by Professor Bryan Philpott in the Research Project on Economic Planning (PEP) at Victoria University.

Since then, PEP has developed an alternative model more specifically aimed at examining shorter run problems of unemployment, inflation, and particularly the tax-wage trade-off question.

Some results from the model — called JOANNA — have been reported by Professor Philpott and his colleague, Richard Wallace, in a PEP research paper.

The PEP team considered employment — or rather, unemployment — as the most pressing problem facing the country. Therefore, JOANNA was first used to explore the implications for employment, inflation and the balance of payments, of each of six alternative policy approaches.

Philpott and Wallace emphasise that "the results are provisional but they are important since they bear on the tax-wage bargain"; the preliminary results, they feel, therefore justify publication.

The JOANNA model is similar in structure and methodology to the ORANI model, developed in Australia and used by researchers to investigate the tax-wage trade-off. Some results from the Australian work were reported in the recent report of the New Zealand Monitoring Group.

The PEP team is securing similar results from JOANNA, an econometric model which allows researchers to measure the effect on one or on a number of policy goals or targets (such as relate to employment, inflation, balance of payments, private investment, gross domestic product, and so on) of changes in a number of policy instruments (such as tariffs, government expenditure, money and real wage rates, and so on), given some assumptions about a number of other exogenous or external variables (such as import prices, real private consumption expenditure, and so on) and assuming that all other things are equal.

The model's results therefore give an indication of the direction of change, rather than a precise forecast of what will happen.

In their recent paper, Philpott and Wallace explored the implications for employment of six policy changes. They found the most potent influence on employment to be a reduction in real wages, representing a reduction in labour costs to employers.

A 1 per cent reduction in real wage rates led to a 1.074 per cent rise in employment (see table).

Associated with this is:

- A 1.206 per cent reduction in the consumer price index;
- A \$43.5 million improvement in the overseas balance of payments.

(These changes, the researchers note, must be interpreted as those which would occur over and above any other developments which are in any case occurring in the economy. Thus the fall of 1.206 per cent in the consumer price index means that the price index would be 1.206 per cent lower than what it would otherwise be without the policy change concerned.)

The second most potent influence on employment, according to PEP's research, is a rise in real private consumption expenditure — a 1 per cent rise which leads to a 0.217 per cent rise in employment.

But in this situation, the inflation and balance of payments effects are deleterious compared with the real-wage cut case. The cost of living index rises by 0.628 per cent and the overseas balance of payments deteriorates by \$42.2 million.

The real wage reduction raises employment by reducing producers' costs — especially those of exporters and import substitutes — and so encourages exports and reduces imports, helping the overseas balance of payments.

But reductions in real wages inevitably will lead to sympathetic reductions in real consumption expenditure which, as the researchers show, have a negative effect on employment.

Thus, there are two contradictory influences at work as far as employment is concerned, arising from:

- The positive effect from a reduction in real wages, on the one hand;
- The negative effect on employment of a real wage cut leading to lower consumption, on the other.

The researchers argue it is possible to put these two policies together into an optimal package, which combines both cuts in real wages as the price of labour with rises in real after-tax disposable income to maintain the real income and spending power of labour.

It is this combination of policy instruments which lies behind the wage-tax bargaining talks.

From the relationships discussed by the researchers (and presented in the table) it is possible to establish the level of reduction in real wages necessary to achieve:

- A 2 per cent rise in employment;
- No change in the balance of payments;
- A reduction in the inflation rate.

The answer is that:

- Real wage rates would need to fall by 1.5 per cent;
- Real private consumption would need to rise as a result of a tax cut by 1.5 per cent;
- The cost of living index, as a result, would fall by 0.9 per cent.

The change in the balance of payments would be zero.

The PEP team has not yet introduced tax functions into JOANNA; thus this approach cannot be explored thoroughly. But, it is possible to indicate, from their earlier results, the magnitude of combined real wage cuts and consumption in-

creases which would be necessary to secure some given increase in employment, Philpott and Wallace report.

They plan to explore further and more complex policy combinations and packages in future, along with alternative policy goals.

But they believe their work so far suggests that considerable economic benefits would result from a successful agreement on a tax-wage trade-off, especially in the critical

areas of employment, inflation and overseas balance of payments.

"In these general terms, the approach of real wage reduction wins hands down as an approach to secure higher employment without inflation or adverse balance of payments effects," their report asserts.

But then comes the crunch issue: "We leave for later consideration the problem of how to implement such a policy in a politically acceptable way."

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*Source: David Halls Inside View Special Report

The male has moved.

The New Zealand male, it would seem, is no longer stubborn in his reading habits.

For some years certain publications have claimed the right to sell men their cars, whisky, computers, or airline travel.

New research now questions this loyalty. The 1980 McNair readership survey shows several shifts, some quite startling.

20% less men are reading the newswEEKlies than previously while there have also been dips in male readership of several business journals.

Fortunately for the concerned media executive

and advertiser, good news travels fast after bad. A look at Reader's Digest's rising performance in this survey, provides some clues on where a substantial number of these prolific consumers may have moved.

The Digest's male audience has increased by 20,000 to 329,000.

And its coverage of men earning over \$15,000 a year has nearly doubled to 87,000.

126,000 men who are overseas air travellers and 73,000 major business decision making males, many of whom are hard to reach effectively through other media, are also avid readers of The Digest.

Reader's Digest is head and shoulders above any other monthly or business magazine in the country, for reaching the men with money and the propensity to spend. And on average they will spend more time reading The Digest than any other publication.

Which makes it easier from a planning and cost-efficiency point of view, to move both expensive and not so expensive products.

And, incidentally, pick up 551,000 aspiring adult women and teenage readers as a bonus carrot.

Reader's
Digest

Aggressive sales urged

UNITED STATES trade representative Bill Brock is urging American service companies to be "aggressive and persistent" in marketing their products overseas.

The United States government would promote US exports of services in several ways.

The United States will use existing bilateral arrangements with other countries to deal with pressing current problems coming up in services.

The Reagan administration is giving specific consideration to US service industries as it reviews US policies and regulations which might discourage exports of services.

The Reagan administration will seek to ensure that statistics on exports and imports of services are as accurate as possible.

US Foreign Corrupt Practices Act, and anti-trust policies.

The Reagan administration will assign high priority to domestic and international efforts to lay the groundwork for future multilateral negotiations on trade in services.

The Reagan administration, in consultation with the Congress, will review US laws to assure that the United States grants the same rights to other countries that it expects from those other countries in connection with international trade in services.

The Reagan administration will seek to ensure that statistics on exports and imports of services are as accurate as possible.

Oil venture ideal flutter for the pensioner set

We do not apologise for this expenditure. It was necessary. The national management committee sees that its role is to protect members' wages and conditions. To do this it needs to follow actions right through. It would be harmful to our bargaining power to abruptly end talks or industrial action.

If any such meaning was taken from the arti-

The various statements contained in the *NBR* article are repeated in bold letters with the union comments following:

\$19,000 on expenses in settling industrial disputes'. The correct figure, supplied by the auditor, is \$51,496.05. The

Turac is a union owned company.


The facts given here are outlines of the matters discussed at the Special Council meeting on September 10. Therefore we encourage all members who have any questions and/or want to find out more about the council meeting to talk to their local council delegate.

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But the two essential points about this float are firstly that the company is doing the sensible thing by raising a large amount of money initially, and

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Transport

Aucklanders profit from illegal fare discounts

From Page 1

for the Los Angeles/London leg (Laker Skytrain or TAA), thus undercutting the lowest legal fare by about \$200. The normal fare is shown on the ticket and the wholesaler can take the difference between the net fare and whatever he can sell it for to the customer. Skytrain and other fares of that sort are not legally available in this country. There is more than one wholesaler with these tickets available for retail agents, and it is understood that other carriers may be about to follow Air New Zealand into this business.

● At least some non-IATA agencies are being offered 10 per cent commission, although they are not technically entitled to any commission on air tickets.

● Group tours from points south of Auckland are being offered free domestic travel on Air New Zealand services to Auckland to connect with their international departure. This means other domestic travellers would be subsidising these international travellers.

● Low season fares are being sold outside the permitted periods, with probably other carriers getting involved in this.

Air New Zealand maintained a clean reputation until at least the mid-1970s, when it was fined for discounting in North America. Then it became associated with a major wholesaler in Australia, paying heavy over-rates to sell its North American services and thus fill its DC-10s despite the disadvantage of having to transit through Auckland when Qantas had services flying direct from Sydney.

The Australians became so exasperated by the wheeling and dealing that two years ago they prohibited Air New Zealand from selling cheap promotional fares in the Australian market. (This right seems likely to be restored during the present bilateral talks between Australian and New Zealand Governments in exchange for Qantas rights to sell promotional fares Auckland/London in this country.)

The Airline Steering Committee, set up as an industry self-policing body under the Air Tariff Regulations, is convened and chaired by an Air New Zealand staff member. The carrier also provides the secretariat.

Recently the chairman wrote letters to agents, asking them to desist from discounting. Said one agent: "While the chairman of the committee was dictating his letter to me, no

doubt someone else on another floor was clinching illegal discount deals with another agent."

In another case, an Air New Zealand staff member who is also secretary of the International Air Transport Association travel agency investigation panel in New Zealand recently approached a small agency to buy an illegal ticket on Laker's Skytrain.

This became the sick joke of the industry and within a few weeks, the incident was spelled out in the independent travel trade magazine, *Travel Digest*, which said the staff member paid over the price for the ticket in cash. But because "his behaviour was somewhat suspicious", he was watched when he returned to pick up the ticket the next day.

Travel Digest reported: "When told the ticket could not be handed over because it had been sold for the wrong fare, the client insisted on buying it."

However, (the agent) told the client he believed he was from the 18th floor of Air New Zealand House. (The man) showed surprise, shrugged his shoulders and asked for his money back.

He later denied to *Travel Digest* that it was an attempt at entrapment, but offered no explanation for the incident.

The arrangement which causes most chagrin among TAANZ members is the longstanding one between Air New Zealand and the Link organisation, which reportedly gives Air New Zealand travel worth more than \$20 million a year, business from which TAANZ members are cut out.

Link is an incorporated society with growing assets and its discounting arrangement with Air New Zealand involves Belgium's Sabena airline.

British Airways has an arrangement with a similar organisation called Friends of the Lion, which also shuts out agents.

TAANZ has been co-operating with Television New Zealand's *Eyewitness* team in pursuit of details of the Link/Air New Zealand arrangement.

A programme on this subject, and on the question of other travel market illegalities, will be shown in the next two weeks.

It is believed that Air New Zealand first became heavily involved in discounting through wholesalers when it saw itself heading for major losses two years ago and was facing some loss of market share after the arrival of Continental.

It fought to regain its market share on the North American

and its part of the European routes.

By discounting heavily, it pulled other carriers into legalities to compete.

There is some opinion in the industry that it would like to get out of discounting if it could and thus earn a higher profit yield from each ticket. But any retreat from the discount market would mean short-term losses to other carriers who are being pulled in.

Some sources argue that with over-capacity becoming a fact for the airline, it is more interested in getting as many people as possible into seats, no matter what the yield, to keep the business going at full steam, rather than cutting back to fewer people at profitable fares and having to keep idle aircraft on the ground.

The possibility that this may make the market tougher still is disconcerting American carriers Pan Am and Continental, both facing their own financial problems but without the prospect of help from the US Government.

Both carriers insist they have no intention of pulling out of this market, but losses in this region may build up because fare yields are driven down further and further by Air New Zealand which may lose up to \$90 million this year but be buffered against bankruptcy by the Government.

If any carriers did withdraw, New Zealand tourism would suffer heavily in the long term.

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It fought to regain its market share on the North American

and its part of the European routes.

By discounting heavily, it pulled other carriers into legalities to compete.

There is some opinion in the industry that it would like to get out of discounting if it could and thus earn a higher profit yield from each ticket. But any retreat from the discount market would mean short-term losses to other carriers who are being pulled in.

Some sources argue that with over-capacity becoming a fact for the airline, it is more interested in getting as many people as possible into seats, no matter what the yield, to keep the business going at full steam, rather than cutting back to fewer people at profitable fares and having to keep idle aircraft on the ground.

The possibility that this may make the market tougher still is disconcerting American carriers Pan Am and Continental, both facing their own financial problems but without the prospect of help from the US Government.

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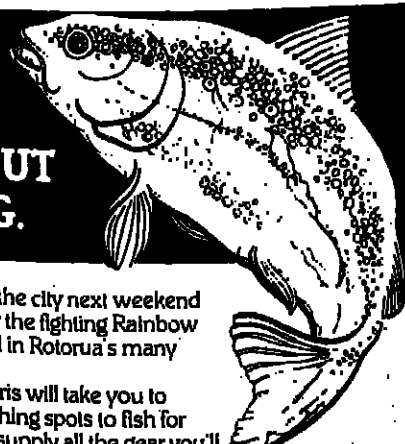
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Business

Disclosure proposals would have changed history

by Klaus Sorensen
THE Securities Commission's proposals for a broader definition of the "beneficial interest" and a 5 per cent consolidating disclosure level, could have substantially changed New Zealand corporate history had they been introduced two or three years ago.

This is one of the inescapable conclusions of the commission's 178-page report on nominee shareholdings in public companies. In particular, the commission's Fletcher-Holt saga might have taken a quite different course had disclosures affecting "relevant interests" been in effect at the time.

In the chapter on the Fletcher-Holt saga, the commission concludes that at first sight "it seems everyone made a profit out of the skirmish."

Fletcher Holdings was able to sell its shares for \$4.35 a share more than they had bought them for, both institutional and ordinary shareholders saw the company's share price appreciate, and both the shareholders and financiers made "substantial profits", according to the commission.

"When one looks at all these facts it is difficult to say that any person has been disadvantaged by the precipitate actions of the institutional sellers and the purchasers consisting of Fletcher, its financiers and shareholders."

"If we cannot resist the conclusion that the episode was not show the operation of the market as the Stock Exchange Association is committed to, and such as this commission desires to promote."

"Perhaps the fair conclusion is that some shareholders who decided to take advantage of the rising market consequent upon the pressure of Fletcher's buy-out, could fairly claim that they did not fully understand the strength of the company in which they had previously invested. That raises the question of the adequacy of the information given by Carter Holt to its own shareholders before these events developed."

But the all-important question for the purposes of the commission was "whether the situation would be any different if Fletcher's acquisitions had been reported to the exchanges as they moved across the 5 per cent threshold."

"It is a matter of opinion, but our view is that early reporting would have had a beneficial effect in informing the market generally of the existence of a major purchasing interest in the Carter company."

In the Carter case, the Commerce Commission ruled that Fletcher was "beneficially entitled" to the NZUC - held Carter shares, and those held by the shareholder Jarden and Co's nominee company, Customhouse Holdings. But the Securities Commission has come up with a new and broader definition - the relevant interest.

The Securities Commission notes the complexity of the "dawn raid" situations and "the ingenuity employed by people who wish to avoid a disclosure law that is directed towards disclosure of beneficial ownerships alone."

The commission then proceeds to provide a particularly neat definition of the relevant interests phrase when it notes "the complications that have emerged can be illustrated in a sentence."

"If I have 2 per cent of the shares in a company registered in my name, plus beneficial ownership of a further 2 per cent registered in my secretary's name as my nominee, plus a proxy from another shareholder enabling me to vote his shares which carry 2 per cent of the voting power, plus control of a private company that holds another 2 per cent of the shares, what do my relevant interests aggregate?"

"If the law is confined to beneficial ownership, the answer is 4 per cent, but if all the interests mentioned are aggregated, my relevant interests are 8 per cent. If a disclosure law is to be enacted should I be required to disclose 4 per cent or 8 per cent or some intermediate figure?" asks the commission.

The commission believes a disclosure law should be confined to facts that have occurred, rather than intentions, until the intentions reach the stage of acquiring relevant interests.

It also recommends that where a transferee has no beneficial interest in the securities that fact should be recorded on the transfer by inserting the words "as nominee" and "in all cases, the person entitled to a relevant interest ex-

ceeding 5 per cent should be required to disclose it."

But the registered holder should also be obliged "to provide evidence to assist in identifying all persons entitled to relevant interests, irrespective of percentage. Companies should be authorised to require the registered holder to provide such evidence."

The commission has also considered time factors, and sanctions.

It believes a new law on disclosure of relevant interests above 5 per cent should require disclosure of existing relevant interests within 14 days and that relevant interests subsequently acquired should be disclosed as soon as the person making the purchase has knowledge of it.

The commission suggests a maximum sanction of forfeiture of the shareholdings and sug-

gests that in the case of listed companies, disclosure of relevant interests should be made to the Stock Exchange Association.

The commission does not believe the disclosure requirements need be applied to unlisted public companies, or private companies, because they normally have their own articles detailing the methods of disposing of shares.

But the commission has not only considered the events leading up to the Fletcher takeover bid for Carter Holt, but also the arrangements made to dispose of the shares after the matter was resolved.

It refers to the deed between Fletcher and Carter presented to the Commerce Commission on December 4, 1980 regarding Fletcher's beneficially held 23.6 per cent shareholding, and notes that "in substance the

deed enabled Carter Holt to find purchasers for the shares ... and provided that Fletcher would not exercise the voting rights attached to the shares, other than in accordance with the recommendations of the board of Carter to their shareholders" for a stated period.

The commission was also asked to approve proposals for the sale of NZUC's 24.9 per cent shareholding and for those shares to be sold to be transferred to a "bona fide independent transferees" nominated in the schedule presented to the commission.

The Securities Commission notes that "the question arises as to whether the terms of the deed, especially those regarding voting rights, should be exposed under a disclosure law".

And it asks whether the arrangement for NZUC to buy

Carter shares and the agreement reached at the same time for those shares to be sold to Fletcher, and the deed presented to the Commerce Commission, should be regarded as relevant interests requiring disclosure independently.

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by Lindsey Dawson

There was only one way Singapore Airlines would grant an interview to NBR about the island state's airline, which is one of the few international carriers with figures in the black.

"Please do not write anything comparing us with other airlines," said corporate public relations manager A R Ibrahim. "Comparative stories are not fair."

Which is exceedingly fair of Ibrahim. But Singapore Airlines can afford to be fair, clinging along as it is on an enviable reputation for good service and ultra-efficiency.

Ibrahim ("everyone calls me Ibrahim" is my first name and my second name) was in London recently meeting the airline's new public relations consultants, Baldwin and Hyde, and attending promotional functions for the airline's new Singapore holiday package.

We promised not to make comparisons. But other writers say When Qantas was crippled by its lengthy February strike, Brisbane newspaperman Iva Petersen wrote an article in praise of SIA headed "Would Qantas please see Mr Ibrahim."

Even a casual reading of the 1980 annual reports for 10 airlines makes one reach conclusively for a Singapore Airlines in preference to a Qantas flight steward," he wrote.

Singapore, with fewer people than the city of Sydney, is one of the most aggressive and innovative airlines in the world.

Ibrahim wouldn't comment on Qantas, let alone Air New Zealand, but he did concur on the question of innovation.

"We've been innovators. We've been trailblazers." SIA was the first to introduce Canteenettes for its first-class passengers back in '78. It was the first to give passengers cold towels as a welcome, and hot towels after meals.

"Everyone does that now." It has had strolling minstrels on its aircraft, it has pushed gourmet meals prepared by chefs from Hugo's (one of Auckland's prestige restaurants).

It was one of the leaders in introducing economy-class perks like free liquor and headsets, forcing IATA airlines to follow suit, and more recently, special headrests so that sleeping passengers don't get neck-ache from trying to rest during long flights.

Shortly to be introduced is its most outlandish idea yet — potter machines for trans-Pacific 747 flights. They will be trial-run for two months and have been specially designed for aircraft use.

The design brief was to make machines which were light, compact and silent. Passengers will buy tokens for the battery-operated machines, and, says Ibrahim, they will produce jackpots as good as any at Las Vegas.

Like all international airlines, Singapore has been hard-pressed by rising fuel costs. Its 1979-80 profit was \$815 million. Final figures aren't out for the year just completed, but Ibrahim says the company is "confident of making a profit."

The airline began as Malayan Airways in 1947, became Malaysia-Singapore Airlines in 1961, and split in 1972 into two companies, the regional carrier Malaysian Airline System, and the international airline SIA.

Since then Singapore's flag-carrier hasn't looked back. It is 98 per cent owned by the Singapore Government and produces 3 per cent of the country's gross domestic product.

The other 2 per cent of shares are owned by the company's 10,000 employees. It is important, says Ibrahim, that workers should feel they have a stake in the company.

New Zealanders who have worked for SIA report that employees are typical of Singaporeans. They are low-paid by New Zealand standards and embarrassingly industrious.

Its cabin crew rarely sit down when on the job and, if they do, says Ibrahim, "we hope it's in the galley behind the curtain where passengers can't see them."

The waiting list of young women who want to become a "Singapore girl" is thousands long; only a dozen are selected for each training course. If they don't measure up during training, they're out.

It is illegal for Singapore Airlines staff to go on strike — they are deemed to be an essential industry. But they do have industrial troubles — a recent pilots' go-slow tarnished their image of efficiency.

Singaporean pilots wanted pay rates on a par with expatriate pilots who work for the airline, who include New Zealanders, Australians and Europeans. They failed to get what they wanted.

Said Ibrahim with a shrug: "They are Singaporeans living under Singaporean conditions. They could not expect expatriate pay."

But he said the airline is not ruthless. "We are a kindly company. We believe in long-term employment." Industrial disputes were settled by arbitration, and staff were not dismissed without good reason, he said. "We have disciplinary procedures. Anyone accused of a misdemeanour has a chance to explain."

Airline unions were powerful, he said, but management was firm that it would not let small sections of the industry ruin the company's performance.

The airline has built much of its image on the Singapore girl, the hostesses in the becoming sarong kebaya. Advertising has centred on the girls since 1972 without apparent feminist protest, and the company aims to make the service match the claims in the advertising.

Hostesses are signed on for a five-year contract which can be renewed if it suits both parties.

They are regarded by management as a specific draw for customers. "At one end of the scale you have very sophisticated stewardesses of the American type — very friendly and natural, who treat you more or less as an equal. Then you have others, like

Japanese crews, who bow before you, but many passengers feel uncomfortable being treated like a potentate."

SIA tries to steer a middle course, training its women to be gentle, courteous and efficient. And the men, too. About half the cabin staff are male.

No airline is tops all the time, but SIA is ruthless in examining its own shortcomings. Its staff newsletter prints not only the names of staff who have been commended by travellers, but also prints complaints.

The offending staff aren't mentioned by name, but the flight number and the date are printed alongside comments like: "Staff rude and unhelpful. Did not stop smokers lighting cigarettes in non-smoking areas." The company's chairman personally vets every passenger's complaint, though there aren't many — 0.26 per 10,000 passengers.

After a huge expansion programme through the 1970s, SIA has 16 747s, five DC10s, four 727s and three Airbus. The DC10s and 727s are being sold — without much difficulty, according to Ibrahim. "Because we are strong financially we don't have to ask for hard cash."

SIA does not mess about with unprofitable activities. The older planes are on the way out because they are not fuel-efficient. The airline has dropped its three 707 cargo freighters. The joint Concorde operation it shared with British Airways to London has also been stopped. "It had to go. Loadings were down. The novelty was wearing off. But it served its purpose."

Ibrahim says he got more PR mileage out of the Concorde than any other SIA activity. The company image is everything. When the Concorde first flew into Singapore the company went to great lengths to ensure that the aircraft landed with the side featuring the SIA name and logo facing the cameras lined up on the terminal building.

And when Singapore's new airport opens at Changi at 7 am on July 4 (following an all-night switchover operation after the old airport closes at midnight) it's a safe bet that an SIA plane will be first to touch down.

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Sport

Cycling: folly, courage riding high on two wheels

THERE are some lines from a poem by Vincent O'Sullivan that go like this:

Something very lovely like when the Roman legions crossed the crest of a blue hill then down a curving road that dipped and rose up

When I first read them they reminded me of the times I have watched a large bunch of racing cyclists approaching down a long undulating stretch of road. They still do.

In the distance one notes the flashing of spokes and wheels and handlebars, the caps and multi-coloured jerseys, the shaved legs tanned and gleaming with liniment.

One senses the whirr of spindles and the tick of the chain over sprockets, and wonders about the murmured conversations as plots form or threats pass.

Brian Turner gives a personal view of sport in this occasional column.

"If you don't take a lap soon you'll be in the ditch."

"I'm going to try to get away on the next hill, are you willing to give it a go?"

"Gerard's stuffed, do you want a lead out at the finish?"

Cycling was the first sport I became familiar with, the first I was introduced to. It excited me from the beginning and it still does. I admire cyclists for the work they put in, the hours they spend on their bikes, for their guts and stamina and nerve.

Our family went to cycling every Saturday, summer and winter. And during the summer track season we went along one evening a week as well. My father rode; so did my cousin, Alan Larkins. Both were my

heroes. My father was my first hero, Alan my first God.

All Turner, my father, was a good bike. Fast, tactically smart, but lazy. He didn't train enough. But more of that later.

Alan was fast, too, but not lightning fast. He had enormous determination, stamina, and he trained like a demon from the age of 15 on. He liked winning, knew how to win. He had what is known in sport as the ability to suffer. In other words, he could endure the sort of pain and exhaustion levels that most people will not condone or abide.

The weak and unfit absolve themselves by claiming to have the good sense to know when to stop. They know where enjoyment ends and agony and

idiocy begin. Up to a point they are right. They are also chickens, haven't got what it takes.

Mental attitude is important but it is only one part of it. You have done the work. Equally, you have to have the physical equipment. But more of that another time perhaps; this is supposed to be, mostly, about cycling.

Alan trained six days a week. He went off on Sundays about 8.30am and returned in the late afternoon having ridden 90 to 120 miles. That was after having raced on Saturdays. Mondays were for a light ride, the other week, nights were given over to shorter efforts of between 25 and 40 miles. Friday was rest day.

My father never told me how much he trained himself but others said it wasn't near enough. After a few years he

admitted this. He seemed to pride himself on being able to hang on to the bunch and win the sprint finish.

Cyclists just love such squatters. They taught me how to do the same when I started in the novice ranks and I got the raspberry whenever I won a sprint finish this way.

I lived in awe of the older riders who raced in sleet and rain and snow and hail and turned blue on their bikes. It's damned cold in winter in some parts of Otago. We went past Eric Knox in the car one day and if he hadn't been chattering we'd have said he was dead. Mum said "You buggers are mad," and, "why doesn't he stop, get off his bike?"

My father laughed from the warmth of the car and said Knox couldn't, he was frozen to his bike. Anyway, he was a masochist; all people who indulge in endurance sports are.

Knox was not frozen to his bike. I saw him fall off it after the finishing line. He fell against a lamp-post and leaned there whimpering and mumbling something about "get me food, I must have food". Another bloke, Bryan Lynn, was often known to stumble in to the hall after a race shrieking "Food, food, food, give me food." He then threw his arms out and gave a strangled "argh!"

These men were giants and wondrous fools.

Alan Larkins fell off at 40 miles an hour on a newly-sealed road. The chips of metal sheared half of one buttock off, or so my parents said. Mum kept saying "Poor Alan," every time she saw him standing at the mantelpiece eating his meals.

Our grandmother — we all lived in the one house at the time, grandparents, cousins, a boarder as well — said he was just a silly bugger and he served him right.

My grandfather couldn't care less what "the boys" did as long as they didn't steal his blue vein cheese.

The hunger bonk, as it was known, was dreaded by all who raced. My father said he was once struck down by it during a race and he craved food so much that he got off his bike, climbed a fence and stumbled across a paddock to the nearest farmhouse.

A woman answered the door to find a muddy cyclist standing there pleading for food. She

took him inside saying "you poor boy" and gave him bacon and eggs.

One day we went along the old Caledonian Ground in Dunedin to watch a meeting at which two visiting English stars were to ride. One was a sprinter who was among the top three or four in Britain.

My father knew the track — an old asphalt circuit with bumps and cracks in it and virtually no banking — very well indeed, and he beat him. I was thrilled, and amazed. All Turner was a marvel.

Another day he crashed and lay still at the foot of the southern banking. Things looked bad. The ambulance duly arrived and the gates opened.

My father looked pathetic. He glazily eyed us and waved his hand feebly. "I'll be all right son," he said. What a brave man, I thought. Then the doors of the ambulance shut slowly, rather like the wings of a duck immediately upon landing, and the ambulance pulled away. Would we see him again? Yes, we did, the very next day. He would come right after all.

I called to see him recently and he told me of two of his contemporaries, both fine cyclists, who shared a girlfriend in Port Chalmers, about 10 miles down the harbour over a winding, hilly road. They used the ride as their sprint training once a week. She accepted them both and they agreed to take turns at going first alternate weeks.

Another of his club mates had a girlfriend in Balchuth, more than 50 miles away, and he rode down to see her every week.

Now I at last understand what my father lacked as a cyclist. If he'd had a girlfriend in, say, Milton, he'd have been a world-beater.

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Marketing

Mary Tuck sets time bomb amid research thinking

by Grev Wigga

MARY Tuck describes herself as a civil servant. Which, as a principal research executive at the British Home Office, she certainly is. Others might describe her as a professional researcher, or, in Kiwi terms, a "nitter" in the field of research.

In her special topic of consumer behaviour, she has no tolerance for theories which are without foundations, unsupported by facts or untestable.

Mary Tuck's insights into shortcomings in consumer behaviour research are based on solid educational and practical foundations.

After a first degree at Oxford in English language and literature, she took a degree in psychology at the London School of Economics and then worked as a copywriter at J Walter Thompson agency, in market research and on her own as a market research consultant. She married an advertising and marketing man.

Tuck has been a teaching fellow at the Cranfield School of Management, has published numerous articles in the consumer behaviour field and has also written a book, *How Do We Choose?* that challenges much of the current thinking and research practices in this area.

She was the keynote speaker at the Market Research Society's annual conference.

In discussing such hallowed advertising and marketing concepts as the "unique selling proposition" or "brand image", Tuck scalps the flesh from the argument to disclose there is no skeleton beneath.

Underlying the theory of the unique selling proposition is the feeling that people are completely rational and will wholly accept a reasoned argument. But testing the proposition by reading, noting and remembering techniques is rather hopeless, she argues.

You don't know whether the consumer, having remembered the message, either believed it or bought the product.

On the other hand, people who believe in straight image advertising think that rational argument is unnecessary. They declare that people just don't know why they buy the product.

She flails those researchers who do not attempt to validate their theories.

"Many of the terms used in describing consumer behaviour are incapable of definition. Many theories depend on assumptions. Complicated academic models have never been used by marketing men. There is total lack of evidence as to validity in the motivational research model."

Tuck has a special caution about the use of group discussions, which she has described as "a comfort mechanism for decision makers."

"In Britain, group discussions have been highly trusted. Products have been launched based on group discussions with just 12 housewives."

But two group interviews on the same subject can give rise to two different conclusions, depending on the idea set of the interviewer or a strong-willed personality among the group.

"There is no reason to think that the mantle of the Holy Ghost descends on the person conducting the interview. The technique can be very useful but the results have to be treated with caution."

When market researchers talk about "consumer behaviour", they are not talking about politeness to shop assistants but about how people behave when they are considering making a purchase, or in the act of purchasing, or using the products they have bought.

Why do they decide to buy Brand A instead of Brand B? How do people choose?

Mary Tuck's theories and convictions on the subject of consumer behaviour are expressed in a "model" based on the theories of the American behaviourist, Fishbein.

She quotes him, "Like any other behaviour, the purchase of a given product is ultimately

ABOUT 100 people from market research houses, Government research units, marketing organisations and advertising agencies assembled at Massey University recently for the 1981 national conference of the Market Research Society of New Zealand. NBR was there to observe and report with articles in this and subsequent issues.

determined by beliefs concerning the positive and negative consequences of making the purchase and the normative prescriptions of important referents."

Which requires something in the way of explanation.

"Behaviour," says Tuck, "is preceded by behavioural intention. Before any act, there is a prior decision to engage in the act. I decide to answer the

that people hold about products, actions, ideas.

This is what Fishbein meant by beliefs "concerning the positive and negative consequences of making a purchase."

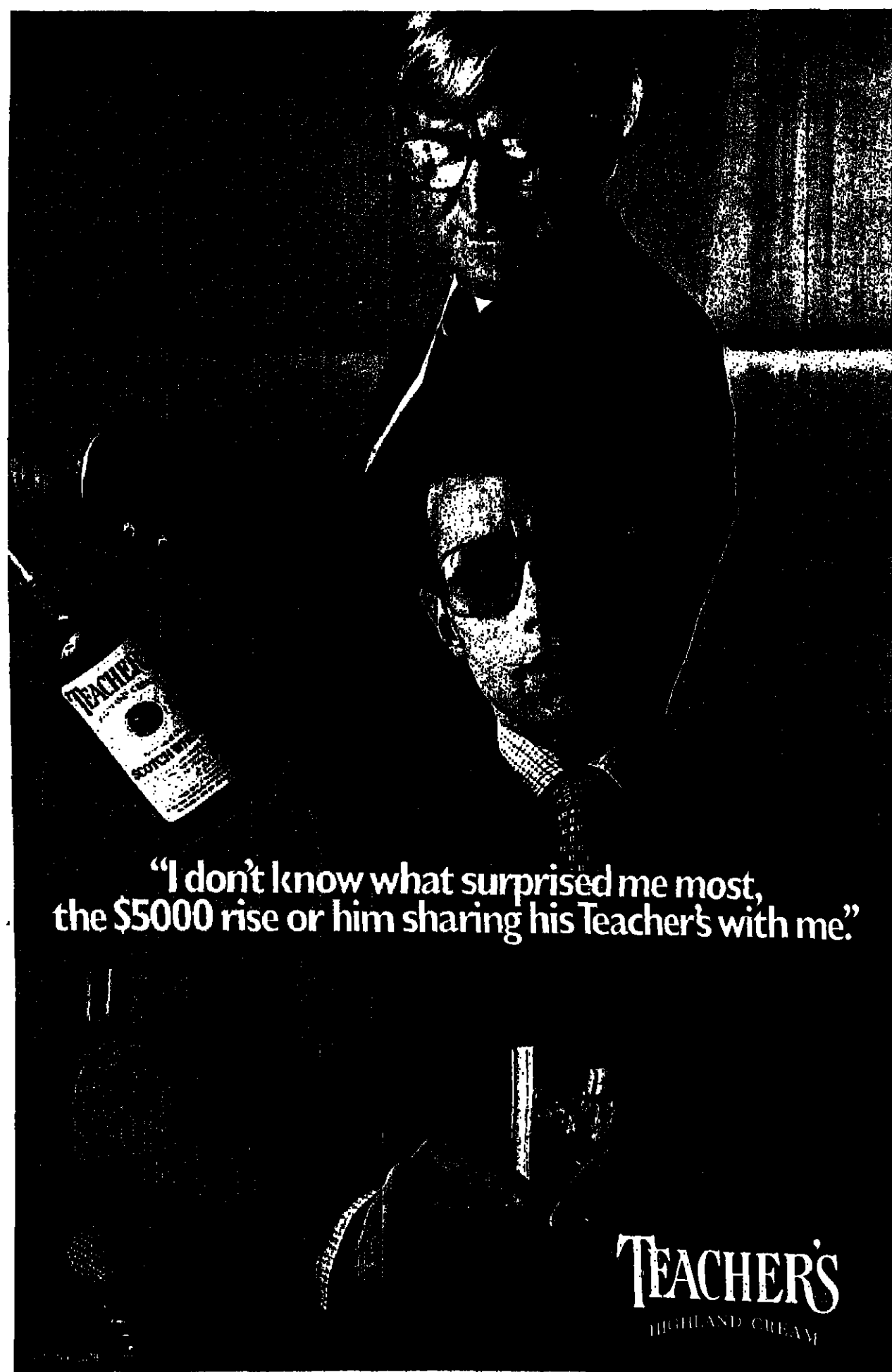
Fishbein's "normative prescriptions of important referents" are, in layman's language, "what I believe other people, important to me, think I should do."

"What we think other people think we should or should not do exercises constraints on our choices. A prime example is the effect of ethnic influences on what people of a certain ethnic group will eat, wear or buy — all conditioned by the answers

to the question, "What do others whom I respect think of my behaving in that way?"

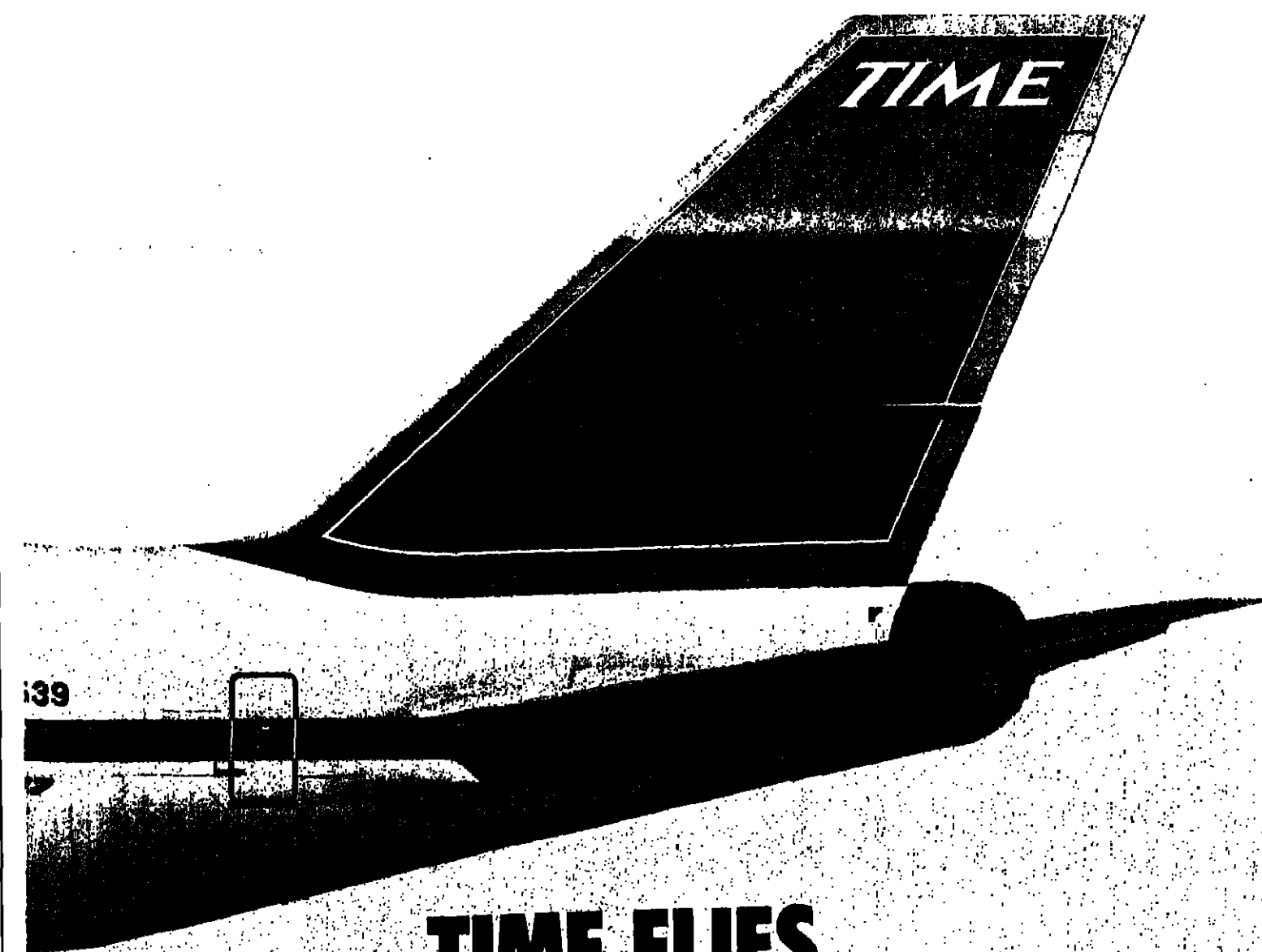
The attitudes we hold are based on the salient beliefs we have about products, actions, ideas. When questioned, people will quickly disclose their beliefs about a product or about using a product. There are normally about seven beliefs stated and these first stated beliefs are the salient beliefs a person holds at the time.

So Tuck is saying that our beliefs control our attitudes and our attitudes and norms control our behavioural intentions from which spring our behaviour.



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That's right, TIME.

Survey of Time New Zealand primary readers by Erdos & Morgan, Aug-Oct, 1979.

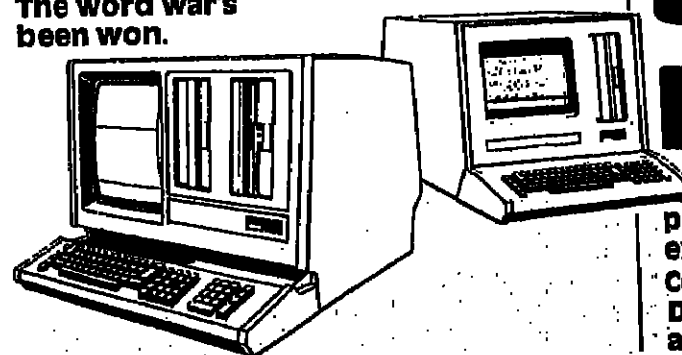
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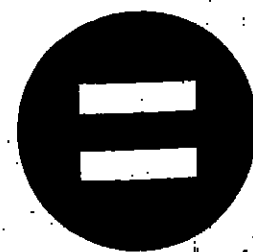
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No. 1 in Word Processing

by Benjamin B Davis

RESTRUCTURING the economy is being seen by more and more groups and individuals as essential to the not-so-long-run survival of the country. Given the degree to which government directly and indirectly affects the economy, it is now capable of playing its part in such an effort?

The answer is "no" because managing change is vastly different and more difficult than administering the status quo. The better National governments have performed fairly well in administration, but the record is very spotty in successfully bringing about significant change.

If tomorrow the country was unanimously support a decision to restructure the economy, serious disagreement would exist between experts and interest groups as to the form such restructuring should take and what priorities should be established between competing economic sectors.

If all those differences were to be magically resolved by the next day, then we would still be faced with the enormous question of how the transformation would be accomplished.

Next week: Restructuring the New Zealand economy — peril and possibility

History is littered with the wreckage of movements that enjoyed the support of everyone in general. They were subsequently sabotaged when it became clear that overall success could be achieved only at the expense of some vested interest groups; with the expense ranging from the petty cash of convenience (having to perform some activities in a different way) to the multi-million dollar structural change involved in slaughtering sacred cows.

Fortunately, the competing ideas of how to change the economy (the nuts and bolts mechanics of how the change process would be accomplished once the policy decisions were made) are easier to sort out than the competing ideas of what a restructured economy would look like.

In the latter situation, excellent arguments will be mounted for the primacy of agriculture over manufactur-

ing, and vice-versa, and within agriculture as to the relative benefits of cattle, sheep and crops, and of exporting primary produce as opposed to finished goods, etc, etc.

When attention shifts to how the process of restructuring shall proceed, the silence may well be deafening. Serious students of how successful change can be achieved will groan aloud when the initial vacuum starts to be filled by half-baked, off-the-cuff statements about committees, task forces, planning groups, undefined "programmes", and vague pronouncements about unleashing free market forces.

Leadership by government (if all the detail work is left to government departments as presently constituted) would result in disaster. A decision to leave restructuring entirely to the free play of economic forces would also be a disaster.

The only possible differences between those two alternatives would be the form that disaster takes and the order of magnitude.

For the process to be successful (regardless of the restructuring decisions made) it must be planned in general and controlled in the particular. To accomplish that the process must be managed with sensitivity and flexibility within a formal framework.

The framework must be spacious enough to permit innovation and diversity of management style, yet have a structural strength that will support management.

Not the least of the support will come from knowing where the boundaries are and an ongoing demonstration to managers of the correctness of the framework within which they work.

To achieve the "right" framework (that makes a successful process not only possible but probable) requires:

- An appreciation of change — an appreciation
- (a) That determining a good solution to a problem (no matter how complex) is relatively easy;
- (b) That implementing a solution requires a series of changes from the status quo, and that is relatively difficult;

The second article in Benjamin B Davis's series on preparing for economic change in New Zealand "only scratches the surface, attempting an overview of the process of change and what is required to manage it," according to the author, a Wellington systems consultant.

- (c) That achieving change in institutions and individuals is much more difficult than solving a most difficult physical/technical problem;
- (d) That devising the appropriate agent of change is more art than science, and approaches the degree of difficulty experienced by the process of change itself;
- An appreciation of systems concepts and how they can be adapted to produce change agents;
- An appreciation of individual and organisational behaviour, particularly as to practice within government generally and the New Zealand Government in particular.

Before the Government can provide the necessary leadership for returning the country to growth and prosperity it must equip itself for the formidable tasks of reaching the right policy decisions, achieve required change within Government, and then direct/oversee regional change outside of Government.

As indicated previously, a successful process of change is very difficult for any organisation. It is more difficult for government organisations, therefore it is fortunate that — in the beginning — only a small and select portion of government need go through the process.

Which organisations and individuals within government would be selected? To answer that it must be recognised that any organisational activity can be placed in one of two broad categories:

- Administration/operation of the status quo;
- Management/development of ventures designed to bring about significant change.

The organisations and individuals selected to perform category 2 activities are those that must themselves go through the process. Not only will the process equip them to successfully do their job, it will

provide the experience and insight needed to help others successfully negotiate the process. It could be said that the purpose of change in government is to increase its effectiveness and efficiency. For those who will work as change agents to accomplish that goal, it is important to understand why government activity is often ineffective and/or inefficient.

Any large organisation has difficulty in achieving and maintaining effectiveness and efficiency. Whatever the particular problems may be, the difficulty is almost always rooted in two factors: large numbers of staff, and multifaceted organisational relationships.

Both factors are almost invariably found in government organisations. Relatively greater effectiveness and efficiency is often achieved by large public companies, but that is not necessarily due to better staff or management. All other things being equal, it is the guidance provided by the profit figure in the statement of accounts, that "bottom line" correcting management as a radio beacon corrects an off-course pilot.

An aircraft can be functioning perfectly and the pilot, according to his own calculations, is on course. But, the radio beacon (like the profit figure) is the final arbiter.

The public company management must similarly respond, if necessary, to achieve acceptable profit; even if in all other respects the company organisation is running well.

The government organisation lacks such guidance. Its budget for the year may have lacked precision when originally developed, perhaps in part because of the often arbitrary decision that later sets the actual amount authorised for expenditure.

In better managed government organisations the budget

request would at least reflect realities such as staff numbers, salary levels and other predictable expenses.

But, not even the best government managers attempt to accurately define a relationship between the budget and what the organisation is expected to achieve in the coming year. Therefore government management is without any dependable "outside" guidance by which performance can be measured.

- There is no conventional way to compare department expenditure with department achievements, therefore determination of efficiency and effectiveness is difficult;
- There are usually many "legitimate" reasons for exceeding a budget, therefore such a result may not be due to poor management or poor performance;
- There is no conventional way to relate management performance to organisation achievements, at least not with the precision required to distinguish between good and bad managers.

There are sound ways to measure and value the performance of government organisations. Related to the systems concepts mentioned earlier, achieving effective performance needs to be discussed within that context. The only way to conclude this article is arbitrarily, for in true systems fashion almost anything is related to everything else. Also, the purpose of the article is to arouse interest; to thoroughly convey ideas and technical know-how comes later.

In conclusion, there is a short statement about a most crucial issue: How do you manage change? It is most crucial because when proceeding from the known to the unknown, particularly in a complex area, high quality management is essential.

In government, where administrators are numerous and managers scarce, those taking on the management of change need all possible assistance. That assistance can be assured by the development of a formal method tailored to New Zealand conditions. The model for that method exists and its success has been demonstrated many times.

Aerospace research and development (R and D) programmes provide the model. They are complex, multi-disciplined, multi-organisational efforts where the goal is initially known only as a set of performance characteristics.

No one knows — at the outset — what physical object would result or how it would be built. That knowledge emerges during the programme period of performance.

In some cases it becomes clear during the programme that one or more performance characteristics can not be met (either the technology does not exist or the cost is too great). In such a situation the unachievable characteristics go through a formal revision process.

Most important, all other performance characteristics are reviewed at the highest level so that compatibility between characteristics is maintained.

The high degree of success in such programmes is due mainly to a guidance factor similar in function to the "bottom line" of profit for a public company or the radio beacon to an aircraft pilot.

The guidance factor in R and D is the ability to physically test first the components, then the sub-assemblies, and finally the complete vehicle in simulation of the actual mission. In that manner most of the inevitable failures are weeded out before the vehicle is certified as ready to fly its mission.

In most government programmes, it is not possible to test at any point prior to the "vehicle" being completed. Even worse, it may be years after the completion of the government programme before the degree of success or failure can be determined.

Therefore government programmes must follow as closely as possible the process whereby successful aerospace R and D programmes are achieved: adapting the programme structures, management techniques, system concepts and project procedures that have proved themselves in actual practice.

Interest rates

AMERICAN interest rates will remain high and may even climb higher, Treasury Secretary Donald Regan predicts.

Regan said the prime rate — the interest rate banks generally charge their best corporate customers — may climb above the current 19 per cent level and remain in that range "for several months" before coming down.

He gave strong support for the Federal Reserve's decision to raise its discount rate — the interest it charges banks to borrow from the United States Central Bank — from 13 to 14 per cent, with increased penalty rates for large, frequent borrowers.

Regan said it was necessary for the Federal Reserve to "hit the brakes" because the economy was stronger in the first quarter than the administration had expected.

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Certainty, if not sanctity, of contracts in question

by Neil Scott

THE essence of a contract is certainty. If the two parties to a contract are not certain as to their mutual obligations it follows logically that the agreement between them is not complete. Similarly, once a contract has been completed, it is a self-contained unit, to be changed only by a further agreement between the parties.

Of course, there can always be arguments as to what the parties did intend when entering the contract. However, if the agreement is in writing, and is precise in its terms, there is apparently little scope for argument. What the parties have agreed on is what is in the contract.

Well, that is how it always used to be, and mostly still is. But in recent times we have seen the law moving to counter

the injustice which can flow from a rigid adherence to strict written terms.

Parliament has acted via the Contractual Remedies Act to allow the courts to examine representations leading up to a contract, even when the contract document would preclude such an examination.

The courts have also been involved in this process. In Britain the House of Lords has applied the brakes to moves away from a strict adherence to contractual terms (especially those involving exclusion of liability) in the case of *Photo Production Ltd v Securicor Ltd*.

Rather, the Law Lords affirmed the principle that where two parties of equal bargaining strength are involved in a commercial contract, with the risks insurable, the courts should not interfere with the plain words of the contract.

However, a recent New Zealand case has illustrated the type of situation where it would be unrealistic to treat a contract (or each of a series) as a wholly self-defining entity. *UDC Group Holdings Ltd v Systems and Programs (NZ) Ltd* dealt with a series of five contracts.

The first three were either oral or contained in exchanges of letters. They related to the giving of advice by SPL as to the purchase of a computer by UDC, the proposal by SPL that it should develop UDC's software programs, and the carrying out of a systems analysis.

The final two contracts, relating to the actual development by SPL of UDC's software system and the on-going maintenance of that system were contained in SPL's standard form contract document.

This form excluded warranties and conditions not express-

ly set out in the contract document, and provided for all disputes between the parties to be referred to arbitration.

Differences arose between the parties, and UDC purported to terminate the systems development and maintenance contracts. SPL then referred the dispute to arbitration, but UDC commenced proceedings in the High Court alleging breaches of all five contracts by SPL.

SPL sought a stay of proceedings in respect of the claims by UDC arising out of the last two (written) contracts, saying that these should be dealt with in arbitration. UDC, in turn, sought an injunction against the arbitration going ahead.

SPL argued that the parties had agreed in the last two contracts that disputes should go to arbitration, and had, moreover,

agreed that nothing outside the contract documents was to form part of the contract.

Therefore, each of these two contracts was entirely severable from what had gone before, and UDC should not be permitted to resile from what had been agreed.

But, in the view of Hardie Boys J, "the rights and obligations of the parties under each contract after the first are to be determined in the context of the circumstances created as a result of the contract or contracts that went before... All five contracts resulted from and formed part of a continuing relationship between the parties which may well be relevant to a determination of allegations of breach of the last two."

This intertwining of facts and issues meant that, for convenience and justice, all disputes should be dealt with in

one action. Accordingly, SPL was denied its stay of proceedings in respect of the last two "formal" contracts. (SPL gave an undertaking that it would not proceed with the arbitration, so no injunction was then necessary.)

The courts, in the past, have been willing in appropriate cases to go beyond the written contract and import additional "implied terms", or take account of pre-contract representations. What is significant in this case, however, is the recognition given to a fluid, evolving relationship between the parties over a period of years.

Hardie Boys J rejected the view that this relationship could be broken down into a series of self-contained, static contractual units. Rather, the rights and obligations of the parties at any time must be determined by reference to the totality of the transaction.

(A graphic, if fanciful, analogy may be to say that the transaction is more accurately depicted in a motion picture than in a set of colour slides.)

There are more extreme situations. Take that where a computer company and a prospective customer start negotiating for the installation of a new, prototypical system. The customer does not know what is possible, or even what it wants, with any precision. So, it frames its specification in very general terms.

The computer company responds with a proposal suggesting it can do something along the lines of what the customer wants, but further investigation will be necessary.

The customer does not quite like what the company suggests, but thinks things are heading on the right track. It in turn suggests that the two parties get together and see what can be worked out.

No formal contracts are entered, no firm commitments are made. But joint committees are set up with representatives from both parties; reports are written; hundreds of man-hours are spent by both of them in working out a system that the customer wants and the company can supply.

At no stage can it be said that agreement is reached as to what will, ultimately be bought and sold. But there grows an underlying assumption that, in due course, a solution will be found which is mutually workable.

Then things go wrong, and the customer decides it no longer wishes to continue the transaction.

No such cases have yet come to court in New Zealand, but some have been settled. It seems likely that sometime soon a court is going to have to deal with this situation, which some have termed the "incremental contract".

In other words, over a prolonged course of dealing the parties build up the subject matter and terms of the contract by an incremental process. At some point a full-fledged contract will emerge, with all essential terms established.

But at various points prior to that the parties have committed time, energy and resources, and stand to suffer significant loss.

If the courts cannot provide an adequate remedy to a party suffering loss in that situation, they will be failing to give effect to the reality of market practice (especially that relating to computer technology).

One only swallow for Labour in need

by Colin James

ONE swallow doth not a summer make. But when you're being cold to your marrow, even one swallow is a mighty sight.

The latest Heylen Poll on June 6 pushed Labour to within 5 points of National — the closest the two have been since the East Coast Bays by-election in September, last year.

And for the second month in succession, Social Credit moved round the 25 per cent mark — back 5½ points from a March peak for the year.

It is too early to talk conclusively about Social Credit being on its usual winter decline. But there is a marked similarity between this latest three-month dip and a similar decline in election year 1978 after Social Credit hit a peak in March.

Labour strategists, who have for three months been seeing signs in their canvassing counts of a bursting of the Social Credit bubble but have not been backed up in poll results, will see the June result supporting evidence for their findings.

They have been confidently saying that the June poll, taken two months after their strident conference, would show a swing. Some Nationalists, who for months have been saying their poll reading was higher than canvassing results showed, were also expecting a narrowing of the gap.

Is it a delayed confirmation of what the canvassers have been reporting? Or is it just another vagary?

One straw in the wind which suggests there may be some substance in the latest Labour case it brings Labour back on its upward course it would have been on if the slow pickup from its October, 1980 low had not been interrupted by the March dip in the wake of the Mangere pickets dispute in February.

If that trend continued, Labour would be back to 40 per cent come November — potentially an election-winning figure.

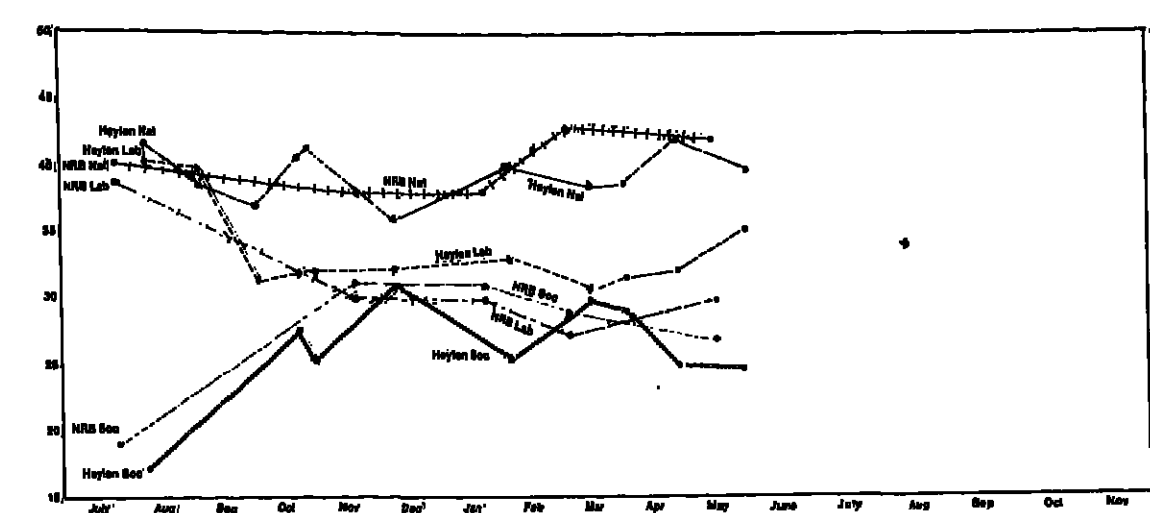
But that depends on what National does. And here the picture is a bit muddier. Is it, say, on a long-term upward trend, or does that up-down-up since mid-1979 portend an uncertain path through to the election?

And can we expect yet another springtime resurgence from Social Credit, taking it to a surge of 26 per cent — and a balance of power numbers in the House? It is still too early to get a reliable fix.

But note some other straws in the wind: unemployment is still by far the most important problem (which should favour Labour); optimism about the economy waned a little; and support for both Bill Rowling and David Lange seems to have loosened out and be rising; and Labour did much the best among young people than it has done for months.

And, perhaps more importantly, a new sounding taken for National Business Review seems to suggest that National is attracting more 'brickbats' than either of the other two parties.

Political polls



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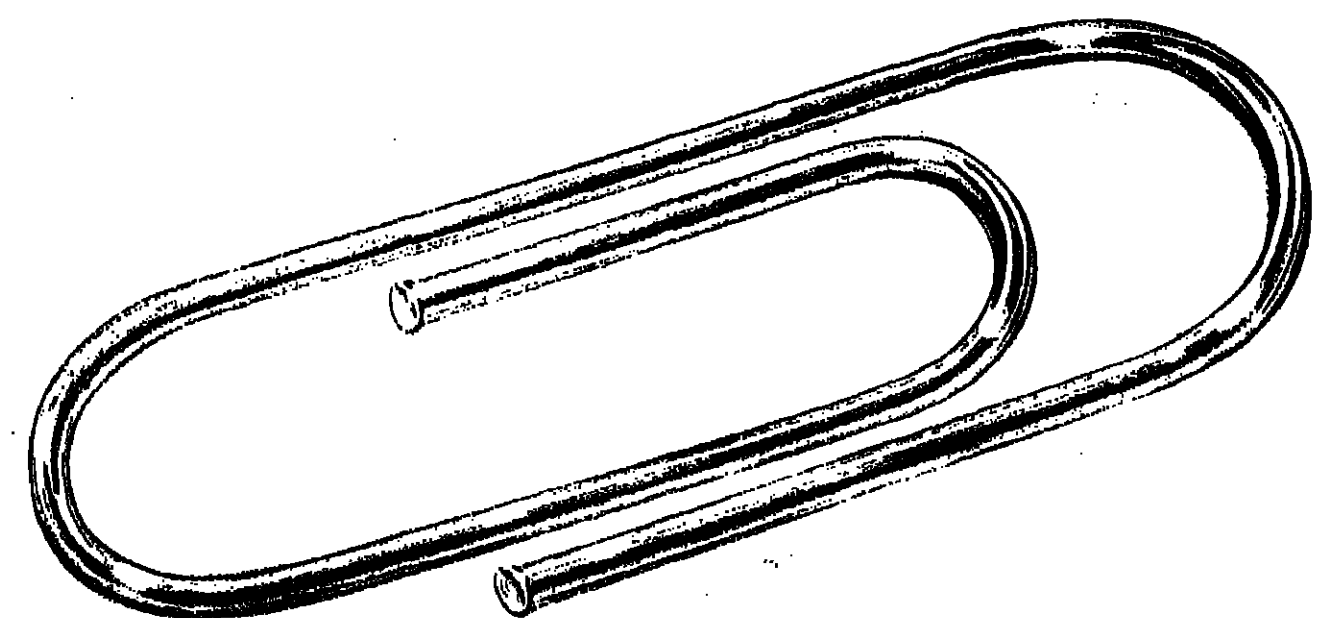
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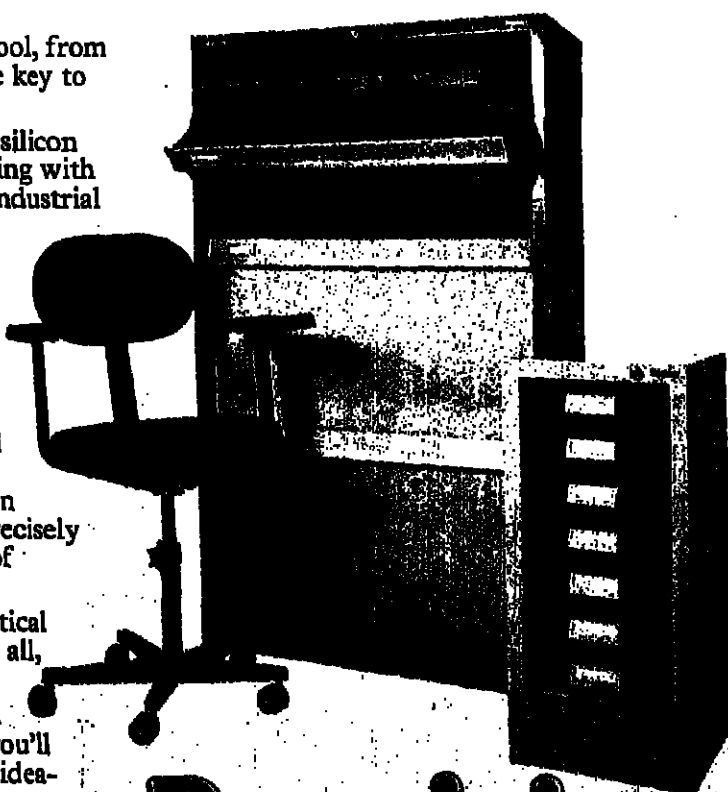
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Manufacturing

AHI, Dairy Board given packaged milk monopoly

by Warren Berryman

TRADE and Industry Minister, Lance Adams-Schneider has handed over a virtual monopoly in the white milk packaging industry to AHI and the Dairy Board.

He has previously acknowledged that consumer prices have been "deliberately" set to protect AHI's milk bottle monopoly. (NBR, May 18.)

Now he has lifted all restrictions on the sale of carton milk UHT milk within New Zealand, despite protests from the Consumers Institute and the environmental lobby.

This white milk, packaged by the Dairy Board with Tetra Pak carton machines now supplied by AHI, is expected to be sold for 90 cents a litre.

Pure Pak managing director Andy Carrigan claims that white milk packaged in con-

suming Pure Pak cartons could be sold for about 48 cents a litre — about half the price of milk in Tetra Paks.

Adams-Schneider will not allow Pure Pak to compete in this area. Businesses wanting import licences to bring in Pure Pak machines must undertake never to use the machines to package white milk.

Before lifting the restrictions on white milk sales for the Dairy Board, Adams-Schneider wrote to Pure Pak saying the Dairy Board's price for Tetra Pak milk was "deliberately" kept high so it would not compete with milk in AHI's bottles.

The Dairy Board's white milk is UHT treated, giving it a longer shelf life. White milk, if it ever was packed in Pure Pak cartons, would not be UHT treated.

Under the Milk Act, white milk is milk whether UHT treated or not.

Adams-Schneider has now drawn a distinction, not on white milk as defined by the Milk Act, but on who packs the white milk.

Milk prices go up to 25 cents for a 600 ml bottle on August 1. Consumers who then go to their local dairy without a bottle to trade in will pay 50 cents a bottle for milk.

Pure Pak milk would have allowed them to buy one litre of milk for 48.3 cents.

Milk in Tetra Pak cartons priced at 90 cents a litre is likely to compete with bottled milk. Consumers with no empty bottles to trade in could pay \$1 for two bottles of milk containing 1.2 litres, or could opt for a litre of milk in Tetra Paks for 90 cents.

Milk in Tetra Paks offers the

consumer a long life product ideal for boating, camping, or use in areas without refrigeration.

Cartoned milk is easier to pack, store, and carry than bottled milk. Cartons are far lighter than bottles.

UEB Industries was first up with the carton concept, but failed to win Government permission to package flavoured milk in Pure Pak cartons.

While a decision on Pure Pak was stalled in a caucus committee, the Trade and Industry Department gave the Dairy Board an import licence to bring in a Tetra Pak machine to package Zapp flavoured milk.

That licence was granted on the grounds that Zapp flavoured milk would be exported.

With UEB's six-year lead time wiped out, the Dairy

Board then put Zapp on the local market.

The Dairy Board's UHT white milk was not supposed to be sold locally. After the 1979 caucus committee deliberations on the milk industry, Adams-Schneider said: "Any decision to allow carton packaging in New Zealand should be measured against the risks this might create for the present bottling system."

Nevertheless, the UHT white milk began to appear in shops on Great Barrier Island.

When Trade and Industry found its rules had been flouted, it changed the rules to allow sales on Great Barrier.

Now the Dairy Board — through its distributor, NZ Dairy Co-op — can sell its UHT white milk throughout the country. The risks to the bottling system from carton milk sales remain to be seen.

Whichever way it goes, AHI has its feet firmly in both camps. It makes the bottles and acts as agents for Tetra Pak.

Carpet-maker moved with times, to market

by Warren Berryman

LANCE Stephenson, Auckland-based owner of an American carpet company operating out of Santa Monica, California, and soon to open a second plant in Detroit, has the track record to back his arguments for other New Zealand carpet companies to set up show in the United States.

Stephenson advised his rivals to take this course (NBR, June 22) and reap the profitable results his Sallee Carpet Looms Inc had achieved in the rich American market.

Sallee has broken into a market traditionally dominated by synthetics with genuine New Zealand wool carpets. And Stephenson's point is that he couldn't have won his corner of the market by confining his sights and his production line to New Zealand.

Stephenson, a former financial director of Cavalier Carpets, became interested in Sallee's California operation during an overseas trip in 1979.

(The California company is not to be confused with Sallee Carpet Looms New Zealand Ltd.)

Sallee's founding owners, Ralph and Harriet Sallee, had been running the firm from their home in Hawaii. The firm had suffered three years of losses and the Sallees wanted to sell.

Competing against eight American prospective buyers, Stephenson bought the firm in a performance-oriented deal. He bought 50 per cent of the equity in March 1980 on the understanding that should he not be able to turn the company's performance around in six months his investment would be returned and he would be out.

Stephenson performed and took up the remaining 50 per cent of the equity last September.

Since then Stephenson has been operating the company from Auckland.

Sallee's Santa Monica factory makes custom carpets of 100 per cent wool. The company's turnover is about \$2 million a year.

About 65 per cent of Sallee's wool comes from New Zealand via a Philadelphia supplier.

Stephenson argues that due to world-wide trends, in particular the increasing lack of skilled and semi-skilled labour, New Zealand carpet yarn manufacturers will find themselves in a strong position over the next five to 10 years and could be regarded as the major supplier of woollen

carpet yarns to the world's carpet manufacturers.

If New Zealand carpet manufacturers can achieve some cohesion and combine to establish one or two carpet factories in strategic areas in the United States then exports of carpet yarn would be increased, he said.

Having factories in America did not preclude topping up demand from New Zealand-based factories, he said.

Also, Stephenson said, it is cheaper to freight carpet yarn than finished carpet.

The Americans impose a 15 per cent *ad valorem* duty plus 30 cents a pound import on imported carpet yarn.

But this prohibitive duty structure is to be scaled down over a five-year period to a flat rate of 9 per cent *ad valorem*.

Stephenson criticises the Government and the financial institutions for failing to support the wool-spinning industry. "It has simultaneously intrigued and infuriated me to be aware of attitudes such as trading banks providing substantially cheaper finance to (for example) wool brokers (at added value provided) rather than industry converting a local raw material and to be aware the Dairy Board has very cheap access to Government money as compared to the Wool Board."

"Consequently, the Wool Board charges commercial rates to spinning plants for funding to wool purchases, whereas the wool broker can be in a position to pass on cheaper finance costs to the user of his grey wool overseas. Who's competing with whom?"

"At the moment I understand that the 3 per cent levy on farmers for wool produced is collected by the Wool Board and on-invested with the International Wool Secretariat an amount of between \$20 and \$26 million a year."

"From my observation, the producers of finer wools, such as Australia, benefit to an in proportionate degree from this promotion and advertising."

Turning from Government and the banks, Stephenson levied some criticism at his own industry colleagues. "New Zealand carpet manufacturers pricing policies in the United States have been apologetic and to my mind reflect a lack of confidence in attacking the market, and also reflect the considerable subsidisation available from export incentives."

"This does not generate a long-term marketing policy and certainly does not give the dealer confidence in selling the product," he said.

Resource development

The airship — means of transport within our means

THE fuel crisis which grips the world will only get worse. Not only will the price of oil continue to increase, but the supply will soon become a means of political blackmail. And as the long-term conflict shows, oil is far from certain.

The direct stagnation and unemployment.

Even if we develop our own oil, we will still face — and we are facing — massive unemployment unless we do something drastic. (They have still have severe unemployment in Britain.)

All this is fairly obvious. The question is what to do about it. What we need is something feasible and practical, something within our capabilities.

The answer lies with the new technologies, such as alternative energy sources, silicon chip production, specialised component manufacture under licence and the like.

A promising new field is the use of the airship as a means of transport.

To be sure, airships will not solve all our problems overnight — no such panacea exists. But they might point us in the right direction, both in fuel saving and creating work for our own force. There's nothing wrong if we could get two birds with one stone.

Several airships are flying in the United States, the Soviet Union, and Europe. Intensive research is carried out by every major aircraft manufacturer from Canada to Japan.

What are the main advantages of airships and what is the reason for this renewed interest?

Without getting too technical about it, the advantage is that they are buoyant, just like ships, energy is required not to

keep them aloft, but only to propel them. Therefore, they are highly fuel-efficient and economical.

And like oil tankers, the larger the airship, the more competitive it becomes.

A great variety of airship types and shapes have been developed in recent years, from Delta-like lifting bodies to spherical and lenticular ones, and from non-rigid to hybrid types — part airship, part helicopter — combining airship economy with helicopter manoeuvrability.

This means that they will provide "point to point" cargo delivery close to consumer centres without the added expense of transporting goods to and from airports, as is the case now.

In short, what they have going for them is modern technology, from new plastics and alloys to more efficient engines and components.

We can use them to carry general and specialised heavy cargo over great distances, logging, city traffic control, aerial advertising, maritime surveillance, top dressing and a host of other applications.

In many of these operations, like traffic control and advertising, the airship need not even have a pilot; it could be monitored and controlled from the ground by on-board TV cameras.

At present, every time a dinghy gets lost at sea the RNZAF has to send out an Orion aircraft, at the rate of \$2000 an hour, to look for it. A

soon replace all other forms of transport. But in the near future they will take on increasingly varied and important functions.

This is no mere speculation. The British air cargo operator Redcoast Air Cargo Ltd is the first airline to opt out of conventional aircraft. It has already placed an order for four 58-tonne capacity airships to enter service by 1984, with options for 10 more.

The Goodyear Aerospace Corporation is building a 75-tonne capacity airship powered by four helicopter rotors for heavy load transport.

The Piasecki Aircraft Corporation, of Philadelphia, is under contract from the United States Department of Agriculture for a similar craft to be used in logging operations. It is to start work in 18 months.

No-one in his right mind would claim that airships will

replace all other forms of transport. But in the near future they will take on increasingly varied and important functions.

This is all very well, one might say, but where does it leave us? How do we go about getting into this new field of transport?

Well, the longest journey starts with the first step. By investing \$10,000 to \$15,000 we can build a seven-metre long radio-controlled prototype. We can build a lot from it, especially the best type of airship dictated by our topography and climate. If it is not successful it will not ruin the country financially. We spend a hundred times that amount on the TAB every week.

If it looks promising, we can go to bigger things — perhaps a larger model carrying a crew of two and a five-tonne payload. It will give us the necessary flying and handling expertise. We live in a windy country and we must tread carefully. Also it

will enable us to make some realistic construction and operating cost estimates.

Everything we need is here: We produce aluminium and plastics. We have some superb engineers and pilots, and first-rate electronics firms.

What are we waiting for? Of course there will be some tough technical problems along the way.

A 50-tonne capacity airship will cost us about \$4 million to build, including the hangar. It will provide direct employment for 100 people. This is a job investment of \$40,000 a person.

To add icing to the cake, this could eventually become a vital export industry. Many underdeveloped countries require airships because their road system and harbour facilities are still rudimentary. If we can build airships, we can very well supply them.

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This section contains names, addresses and cross-referencing for all companies in the main index — classified by over 800 different trade headings.



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'It's like being thrown on the junk heap': Mosgiel's

by Mary Hancock

A YEAR after the shock announcement that the country's largest woollen mills and textile company, Mosgiel Ltd, had gone into receivership, women workers made redundant still show the scars of the shutdown.

For three months the company and its workforce of 1300 men and women waited anxiously while various buyers made bids for Mosgiel. The receivers announced that the company had lost \$4 million in the previous 10 months and unless the company could be purchased, it would cease operation.

On July 24, Alliance Textiles Ltd gained control of Mosgiel with loan and investment assistance from the Government and Development Finance Corporation.

The collapse and takeover of

Mosgiel resulted in a big loss of jobs. In the Dunedin area of Mosgiel's operations, 495 factory and clerical workers were made redundant by the end of September 1980 — 63 per cent of the company's workers in the region.

Job loss was highest among the women. Although they made up 50 per cent of the workforce, they made up 63 per cent (311) of those who lost their jobs. A much smaller group of men (184) were made redundant.

Highest casualties came when the knitwear section was closed down. Women made up 80 per cent of the workforce there.

But throughout the woollen and textile industry in New Zealand, large numbers of women workers have been laid off. In the Auckland region, the Woollen Mills Workers' Union

reports that 300 knitwear workers, all women, have lost their jobs recently.

There has been a loss of 4000 jobs nationwide in the industry over the past three years.

Union secretary F R Jackson says: "The majority of these workers are married women who when they are made redundant have to return to their homes as they can't get jobs or the dole."

A survey of the Kaipoi mill closedown showed that among full-time workers, those unable to get new jobs were all women. Among part-time workers, all of them women, most have not found work.

If such large numbers of women workers in the textile industry are losing their jobs with the collapse, closure and restructuring of many companies, what is happening to them?

The New Zealand Working Women's Council carried out a study of Mosgiel's knitwear factories in Dunedin to ascertain the effect of unemployment on the women workers.

Seventy-five women worked as knitwear and make-up workers on the main shift at the Melville Street factory in Dunedin. When the plant closed on September 19, 1980, all lost their jobs.

In January 1981 the Working Women's Council located 62 (83 per cent) of the 75 women, and found 40 (65 per cent) were still unemployed. Eleven had entered involuntary retirement because there were no jobs available; the remaining 29 were forced back into their homes while they tried to find work. Only 22 (35 per cent) have been able to get work since the redundancies.

Personnel management,

union and Department of Labour sources also suggest that similarly high levels of unemployment are found among women workers made redundant throughout the company during the collapse and takeover.

Ken Jones, the former personnel manager for the Melville Street factory, estimated that only 10 per cent of women laid off from Mosgiel have found other work.

The last six months have been harrowing and distressing for many of the women who lost their jobs with the closure of Mosgiel's knitwear section.

The women have found that they are grappling with a wide range of problems, and a sharp drop in their standard of living. Financial difficulties are particularly acute for women with young families and those who are widowed, separated or divorced and have no major source of income for support.

The following case studies were gathered for the Working Women's Council:

Cathy is married with a young child of 2½ and is expecting another baby. Until she was made redundant in September, she worked fulltime and brought home an average of \$138 a week. Her husband brings in \$230 to \$250 a fortnight.

On their two wages they could cover all their living expenses and bank \$40. With Cathy's loss of job their income has shrunk by more than half so the family must survive on \$125 a week, plus family benefit, and draw on their small savings.

"My husband's wage is all spent on weekly living and we have nothing left over for power, telephone, insurance, clothes or going out," said Cathy, who itemised how she budgeted their money each week from this one income:

Food, \$20; husband's work food, \$10; rent, \$25; petrol, \$12; hire purchase (washing machine, lawn mower), \$40; cigarettes, \$8; cat and dog, \$12; total outlay, \$125 a week.

When she was laid off she invested her modest redundancy payment: "But I wish now that I hadn't, as my bank account's gone down to nothing. So I'm wondering whether to take it out and use it."

Cathy and her family can't afford clothes, entertainment, weekly bills, and have had to cut back on all purchases, particularly food.

"It worries me living off one wage. It's not much fun. You are limited in what you can do all the time," Cathy said.

After the birth of her second child, she plans to find another job. "I would like evening work so I can be home with the children but will settle for anything — perhaps cleaning or waitressing."

The chances of finding such work are remote; many cleaning jobs advertised in the *Otago Daily Times* recently attracted more than 100 applicants.

The hardships are even greater for women on their own. Many of them found that their incomes dropped by more than \$100 a week when they lost their jobs, couldn't find alternative work, and became reliant on a modest benefit.

Jan, is separated, with two teenage sons living at home, one unemployed. The other is an apprentice. She is registered as unemployed and receives \$52.78 a week — a drop of up to \$90 a week from her average

take-home wage and bonus of \$140 at Mosgiel.

Her sons contribute \$30 board, but Jan finds she can only just cover the cost of food. Until now she has used her redundancy money to cover bills and expenses, but that has all gone. (Like many other workers she also lost shares — 1600.)

"I can just manage food — but not the bills," she said. "The bills will come for the telephone, electricity, coal, DIC account, Smith and Brown account and TV rental. I don't know how I'll manage once the bills start coming in. There is nothing left for clothes and entertainment."

Win, separated, has a 16-year-old apprentice son living at home and contributing \$20 a week board. She is on a domestic purposes benefit of just over \$61 a week — considerably less than the \$166 a week she had when she worked (\$150 clear wages and bonus, and \$16 maintenance from her husband).

"It's impossible to live on \$61 a week. It affects what I can buy and how I feel," she said.

"I had to wait six weeks before I went on to the DPB because of the redundancy money. It was really hard. The money I've got saved is just going — it's not going to last forever. I just can't save now."

Win has cut back on all her purchases. With food she now buys less of everything, and she buys no clothes at all. She is deeply worried over how she will be able to pay maintenance bills on her old house.

Frances, a widow, cleared \$150, a week in her work machining at Mosgiel. She now lives on a widow's benefit of just over \$61 a week because she hasn't been able to get another job. This \$90 a week drop in income has had a major effect on her life.

Her financial difficulties have been heightened by her loss of 2000 shares and she didn't receive a redundancy payment because she left before the final closure to seek a permanent job.

"I can't save for retirement now. It all came too soon," says Frances.

Single women face problems, too.

Sharon, who has a slight physical disability, has not found another job and is reliant on a sickness benefit.

Suzanne, who was helped by Social Welfare 10 years ago to find a position in a secure and warm work environment, has also been unable to get another job. She is on the unemployment benefit and is just managing to make ends meet with the help of her parents.

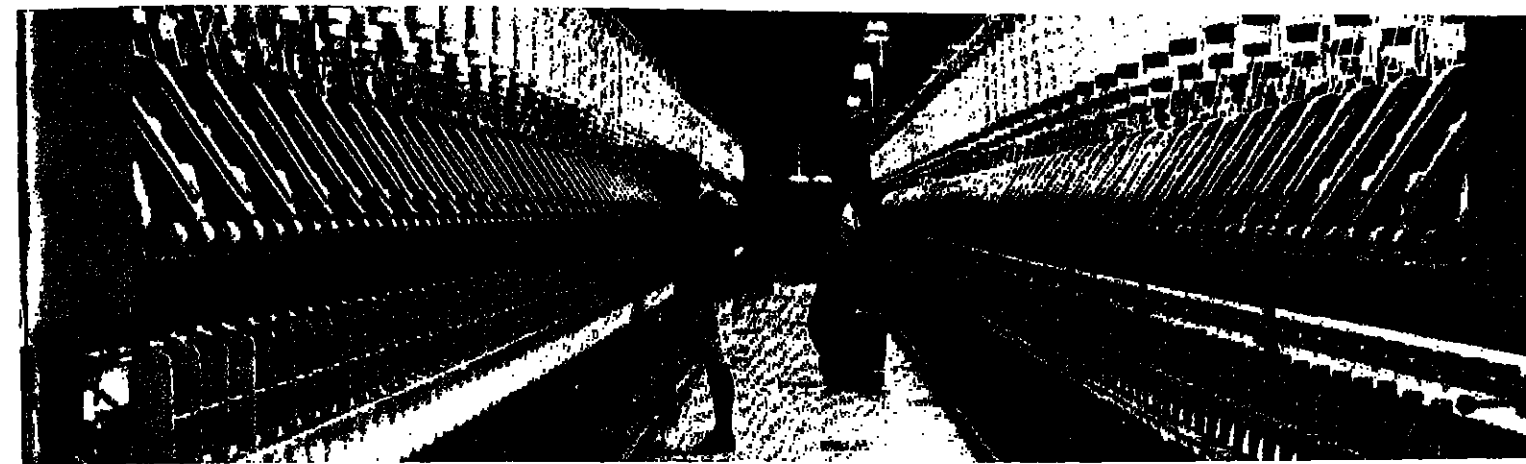
The households of many of the married women who were made redundant have become reliant solely on the husband's earnings — an income drop of \$100 to \$200 a week.

Irene, who used to net an average of \$100 a week, finds "that it's taking an awful lot of adjusting. I found it very difficult to start with, particularly at Christmas, having to cut down. I can't help the kids out now — that really affects me."

Nola used to average \$155 a week with bonuses. She lost 1650 shares in the collapse.

Now that she has no job, she finds she has to be very careful with the household budgeting. "It's hard having all the family home for meals. We don't see our family as much now as it's expensive to go visiting. I

discarded workers still show redundancy scars



led some to seek medical assistance. "I feel very depressed, life is so empty now. Everytime I go to the shops I wonder how I will cope . . . You lose contact with everyone from work," says Florence, who now gets headaches and feels weepy.

She knew the doctor would tell her the only way to get better was by going back to work — but she hoped she would get some medication to help, anyway. "It's easier said than done to get a job in Dunedin now," she says.

For another woman who had worked more than 40 years machining and lived alone, the news of the receivership and the prospect of loss of her livelihood drove her to look for alternative employment.

Her new job was hard and non-rewarding. "It was a slave labour camp. He was cutting times — never had time to blow your nose. It was real sweated labour. I was crying and getting near a breakdown. So I finally went to see the doctor — real weepy and depressed."

The doctor prescribed sleeping tablets and pills for depression and, as with Florence, told her that "she should find alternative work" if her work situation was causing depression and distress.

This advice is a bitter pill indeed, in a city with hundreds unemployed, many of whom are skilled workers from Mosgiel.

Feelings of depression, loneliness and isolation in many women resulted from their loss of economic independence as women, and the sudden reliance on their husbands for financial support.

Typical of these, Pam commented: "It's a knockback losing your independence when you've always earned."

A lot of women said their husbands couldn't understand their distress and thought they were worrying over nothing.

Ann, after three months of unemployment, decided she had to sell her little car, because the money was needed. "It was eating up my money. I'd bought it with my own money, maintained it myself, and the knowledge that I'd never have another one of my own is hard. It was all mine — the only thing that I'd ever had — everything else was a joint thing whereas the car was mine from my wages. My husband couldn't understand what I was going on about."

Baid, made redundant after 35 years at Mosgiel, had a gap between the time when her job finished and her superannuation started. She didn't ask for her husband's pension to be increased to cover her for this period. "As I didn't want to be dependent on him as I've worked all my life."

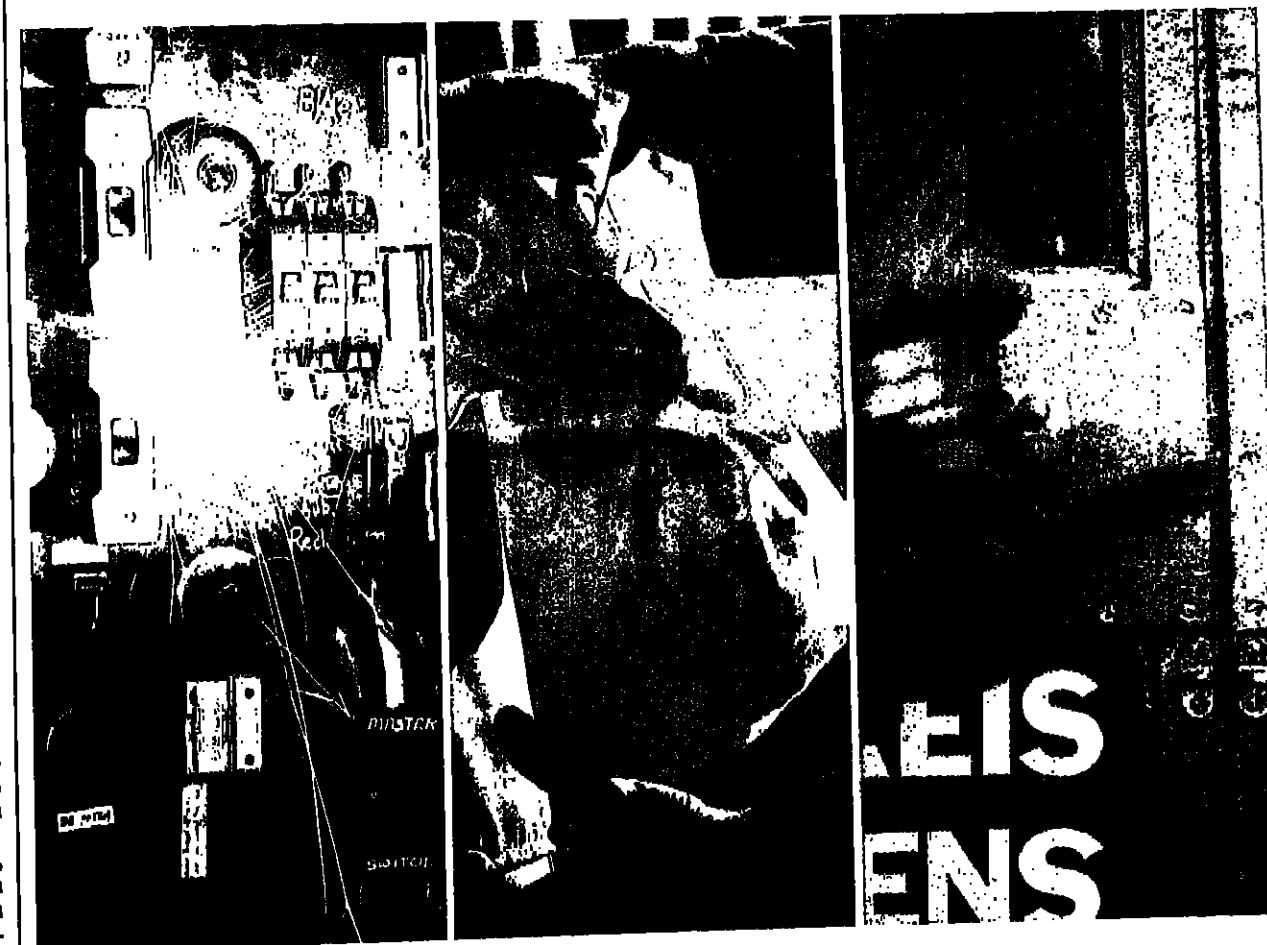
The survey showed few husbands, or society in general,

realised the distress and hardship of a woman suddenly forced into a situation where she loses financial independence and is reliant on husband or a benefit for support.

Where husband and wife had separate bank accounts, the unemployed married women must now ask their husbands for money.

Many women have been commenting on the rapidly increasing levels of unemployment among their sex in New Zealand. The survey showed a widespread feeling that they are treated as an invisible group and that "it just doesn't seem to matter what happens to women."

Mary Hancock is an Auckland sociologist commissioned by the New Zealand Working Women's Council to undertake the research outlined in this article.



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Computers

Polywog (now Poly) school computer shows its paces

THE DFC-backed school computer, known until now as Polywog, has come out from under its wraps.

A blanket of commercial confidentiality has covered the project since the DFC took a role, seeing in it not only an aid for the nation's schools, but a potential export and a boost for the local microelectronics industry.

Last week, along with Minister of Education Merv Wellington, a small party of media people saw the machine for the first time in a classroom situation.

Tawa College is one of two North Island schools participating in a six-week trial of

the system — now known simply as Poly. The results of the trials will be analysed by a team from Massey University.

The findings will influence eventual Education Department attitudes to the project.

Poly is a curious mixture of private enterprise and government involvement. The DFC's role is more than that of a financier; it is one of the two partners in the outfit now known as Polycorp, which co-ordinates development and marketing of the machine. On the private enterprise side of the effort is software house Progeni — long a champion of home-grown technology and software.

The two questions still hanging over Poly, now that we've seen it, are obviously, how much it will cost, and who is going to buy the machines from Polycorp on behalf of New Zealand's schools.

"We have three options," the Minister told NBR. He declined to elaborate, but the obvious candidates as purchaser are: the Education Department itself, regional education boards and the individual schools.

The DFC has made no secret of the fact that it would like to see more centralised purchase, but the department, on present showing, appears unwilling to commit itself to a bulk order. And the cost is still an

unknown factor. The machines on trial at Tawa and Queen Elizabeth College, Palmerston North, have been made "individually" and mass production will greatly reduce the cost, a Department of Education spokesman pointed out.

Polycorp intends to let manufacturing contracts to various ventures within the local electronics industry, and these companies are expected to become partners in the Polycorp consortium.

It is clear that even within the local educational market, Poly will have to stand up to some stiff competition from imported machines, whose suppliers already have their mass-

production facilities well organised.

What will the new educational computer have to offer against models already being taken on by New Zealand schools?

It has a rather original organisation though each keyboard and screen is a powerful microcomputer in itself, the typical classroom configuration is expected to involve about 10 machines hooked into a central processor (still quite a small box) with its own operating software and all the system's floppy disc storage.

Programs are loaded from the disc into each workstation's memory, so pupils can be

working on different subjects, or different parts of the same subject at their own pace.

Further improvements to the central software should make it possible for a teacher to monitor from a central console what each group of pupils is doing and what stage they have reached.

The software, devised by Progeni to teachers' specifications was branded by the Minister as the machine's strong point. With a colour screen and fine resolution moving graphics, it has certainly created enthusiasm among the pupils.

Display frames can be linked allowing the pupil to pass from one frame to the next, or review imperfectly learned material at their own speed. But there appear to be weaknesses in the frame-linking system; NBR heard some student complaints that backward links weren't provided just where a review of material was needed, and a press of the wrong key could lead to missing frames and not being able to get back to them.

Giving up outside clients

THE Dairy Board's computer services division is giving up its non-dairy-industry bureau clients to conserve its expert resources for the evolution of its own ambitious network.

The board's present and planned computer resource would be plenty to continue serving the outside clients, said deputy computer centre manager Mike Cartledge. People pose the problem.

Support of outside clients, ranging from Transport Nelson Ltd to a series of chartered accounting practices, took up the equivalent of 5 per cent of the centre's manpower resource.

In fact, the load was probably more than that, said Cartledge, since support of a client with an unfamiliar business requires greater expertise. The people occupied, therefore, tended to be the most expert and most valuable.

Accordingly, an arrangement has been reached with bureau Idaps, and the non-dairy customers are to be shifted gradually across to Idaps's Wellington operation over a period of months.

The board had also met with some grumbles from dairy industry users who felt the outside clients were competing for their computing resources, Cartledge acknowledged, and this had provided part of the impetus for making the shift.

Like many computer operations, the Dairy Board centre originally took on non-dairy clients to fill the "troughs" in its batch work. But with the expanding use of on-line, the peaks and troughs are less pronounced and could be well filled with the Board's own development work, said Cartledge.

The board is well into the development of its widespread dairy industry network, with five of the Raytheon minicomputers already out in the field, and dairy companies are submitting on-line input of stocks for the board's records.

Computers

Boozy blood faces further testimonies

THE evidence of the DSIR's blood-alcohol-testing machine is likely to be questioned by "computer expert" testimony. Two lawyers are planning to produce into court an expert's report casting doubt on the functioning of the computer part of the system within the

next few weeks. Speaking to NBR last week one said he thought that a "suitable" test case had now been identified.

The DSIR machine, a combination of chemical analysis equipment with a Data General processor, is the last arbiter for allegedly drunken drivers who

choose to dispute roadside and "evidential" breath-test findings and opt for a blood test.

The Transport Act gives evidential status to the certificate from the DSIR test, but if the defence chooses to dispute the finding, DSIR analysts must be called into

court to testify to the accuracy of the machine.

Late last year the process of doubt was taken one stage further. In an appeal court judgement, it was held that the chemical analyst called from the DSIR was competent to comment only on the chemical side of the system, not on the functioning of the computer.

Since then, Dr Peter Williams, one of the devisers of the system, has been called "about a dozen times" to pronounce the computer and its program competent.

But, until now, he said the defence has never put up a computer specialist to dispute his evidence.

The expert's report, NBR understands, will cast doubt on Williams's competence to testify to the correct functioning of the computer. He knows little of its intimate structure, it

will be argued, and in order to pronounce the computer accurate beyond doubt, experts would have to be called in from Data General and electronic component suppliers all over America.

Williams pointed to the many cross-checks which existed within the DSIR system and contended that any errors in the computer or other parts of the test equipment would be quickly shown up.

But even if the move against the blood-alcohol machine fails, it could spark a trend to call in computer experts on the defence side in some of the many other cases where a computer's "evidence" figures.

In some of these cases, the cross-checks will undoubtedly be less stringent, and under heavy expert assault the computer's evidence could be found wanting.



The Nova evidence doubted.

Challenge choice of two suppliers

NEXT month looks like a decision on the big Challenge upgrade. Challenge Computer Systems has put out a specification for a massive upgrade of its network.

Copies of the specifications have been sent only to Burroughs, which supplies Challenge with its present computing power, and Facom, the Japanese-owned manufacturer with which Challenge already has strong links.

For such a large project it would have been pointless to set specifications to every supplier when everyone knew the two we'd be concentrating on," said Computer Systems general manager Terry Smith.

But, he added, Challenge was not willing to let other suppliers have copies of the specifications if they asked and it was clear they would have the resources to do the job.

The prospect of a Challenge upgrade to Facom has been hovering in the background since Challenge took on the local responsibility for Facom's V Series small business computers.

Such a move would not only be a valuable foothold in New Zealand for the Japanese supplier, it would mean another major blow for Burroughs, a company reeling from the loss of North Island universities

and generally poor financial results.

The decision is expected to be made within Challenge's computer division by the end of the month.

The proposal will then be submitted to the Fletcher Challenge board.

The new computers are intended purely to relieve Challenge's own processing load, said Smith; there is no prospect of a large-scale move of Fletcher and Tasman work on to the new equipment.

Smith sees the necessary interworking among the parts of the group as catered for by communications links. The types of computer involved are very different, but the communications protocol conversion task is not beyond current technology, Smith says.

On July 1, Challenge Computer Systems will assume a more clearly separate identity as Challenge Computers Ltd. As well as opening the bureau operation more obviously to the custom of clients outside the Fletcher Challenge group, the move will stress that the computer services venture will be competing on the open market for Fletcher Challenge work, with no privileged status, said Smith.

Challenge's status as a "hot

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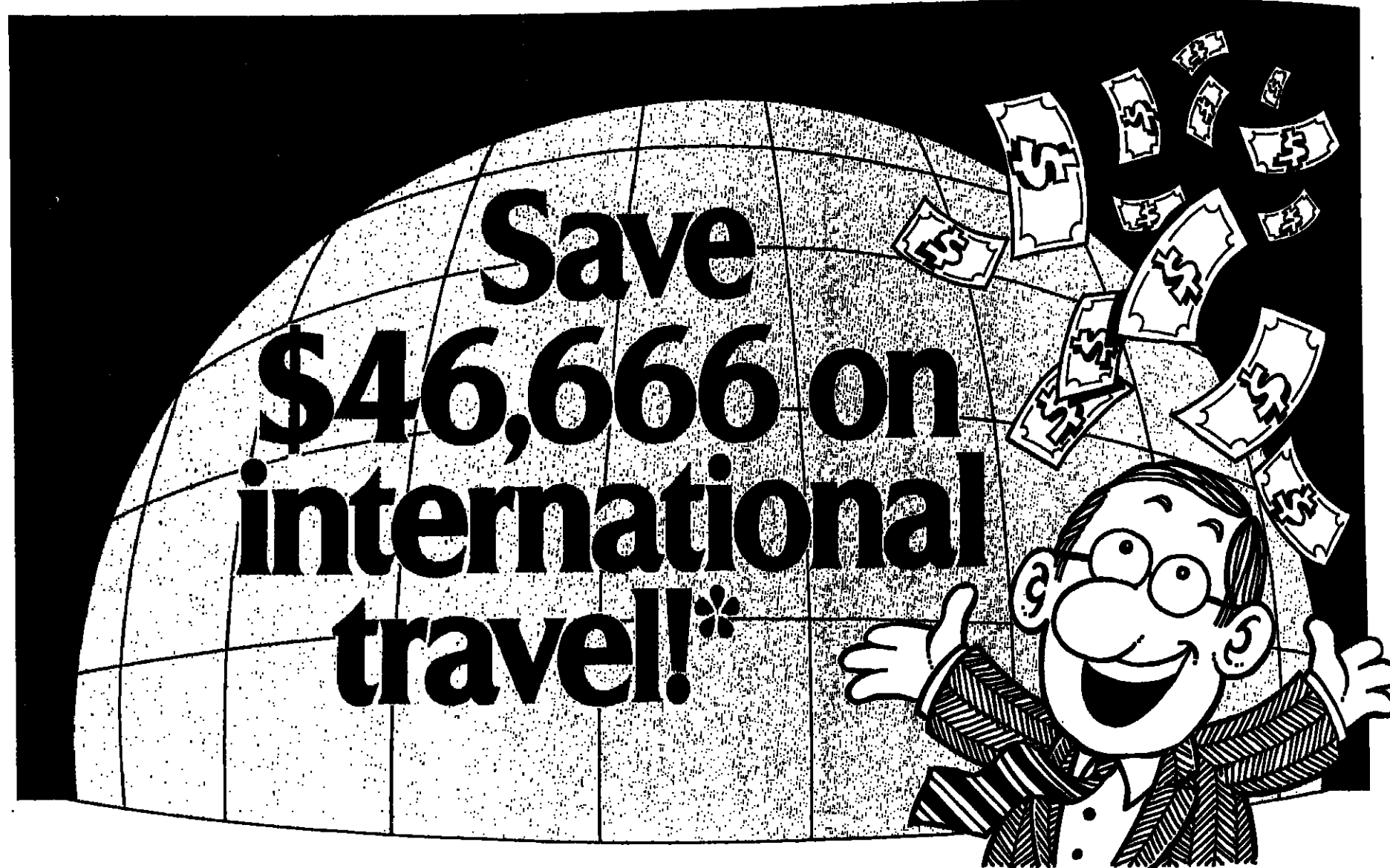
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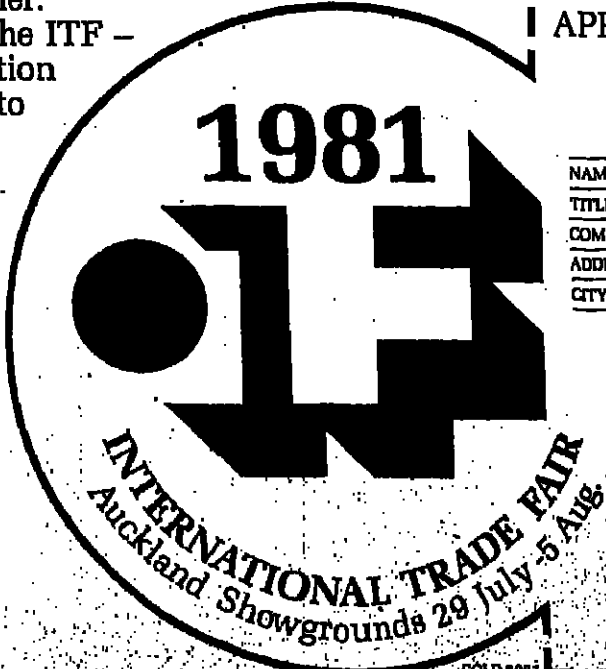
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Plastics

Industry awaiting final report of IDC study

IDC executive director Bruce Dunlop is content to "wait and see" the final public hearing on the plastics industry study is over, and the final report is to be presented to the Industry Minister tomorrow.

"We would ideally like to see the final report to evaluate it before it is made public," says Dunlop. "There's a terrific amount at stake here, in fact, as New Zealand's largest manufacturing industry."

There is speculation as to the Government action on the final report will be forthcoming, some industry sources claim the report is likely to get "fast-track" treatment, so it

can be completely dealt with before the general election, and before the retirement of the present minister in November.

Other sources say the report is likely to be released and part of it implemented before election time only if the report is thought to be palatable to the majority of the industry.

If it is, and early release is forthcoming, industry people say it will go a long way to helping the Government to prove its industry study programme is relevant and worthwhile.

The flexible packaging sector report, or decisions affecting the sector, are likely to be the most eagerly awaited of all prepared by the Industries

This survey of the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

Development Commission.

The flexible packaging sector is considered by many to be the most vulnerable sector, in terms of the protection it requires, and desires, from overseas imports from highly-developed, low-cost, and protection-favoured offshore manufacturers.

The IDC has reported publicly its conception of the plastics industry as being one which, generally, is worthy of encouragement.

Industry sources are hopeful this declared theme will be conveyed to the Government throughout each sector report; and because the commission has stated it feels encouragement should be forthcoming, the industry expects a favourable development plan during the next decade.

An early decision by Government will help confidence and encourage long-term planning in the plastics industry, and other manufacturing sectors of

the economy with an interest in the plastics study.

Considerable investment in new technology has been held back, pending the outcome of the study.

This uncertainty, which has filtered down through many sectors of the economy, industry sources claim, has in fact caused some depression in manufacturing in New Zealand. An early Government decision will enable positive and immediate action to further develop and increase efficiencies, they say.

The industry claims it has given due and appropriate recognition to the submissions made by trade unions. One spokesman said that without the agreement of all parties, Government, unions and industry, any plan would not be worth a pinch of salt.

This is also one of the underlying reasons why the Plastics Institute wants to see the final commission report when it is presented to the minister for consideration and possible implementation.

Says Dunlop: "If the report on one sector of the industry is inappropriate in our view, for example, we may be able to provide some additional input, or clarify or highlight some particular parts of the existing submissions to prove that that sector is worthy of encouragement."

Various parts of the plastics industry study have wider ramifications for New Zealand industry generally.

The controversial question of levels of protection may see precedents set for future industries that come under com-

mission investigation, and conclusions about national pricing, examined in this study, could have particular significance under any closer economic relationship (CER) agreement with Australia, and must be of concern to the plastics industry as well as most other industries.

As a general rule, any country can ship goods into any New Zealand port at the same cost. New Zealand manufacturers cannot.

Industry sources say this must be regarded as a national issue. It has the potential of seriously distorting any of the tariff-testing proposals advocated by the IDC for the industry.

National pricing has been a major contributor to regional development in this country, the institute claims.

The industry argues that abandonment of the policy by major manufacturers - which could be brought about mainly by increased import competition - must detrimentally affect regional development by increasing the cost of living in smaller rural centres in particular, and must therefore accelerate population drift away from these places.

"The New Zealand Manufacturers Federation is discussing this matter with Government, NZRI understands, and the Plastics Institute recommended to the commission that national pricing be the subject of a force study, particularly in respect of any CER agreement and the internal transport and distribution system, to establish whether the maintenance of the policy is in the best interests of the country."

Lion rolls out the barrel to compete with casks

LION Breweries is rolling out the barrel in an attempt to capture both the imagination of beer drinkers, and a greater slice of the take-home beer market.

The barrel - a one-gallon capacity polystyrene "Skeg" developed and manufactured in association with Consolidated Tonic Industries, Wellington, currently being test marketed in wholesale outlets in Auckland and Christchurch, will soon become available at most other centres.

The Skeg is a world first for Lion and CPL. The barrel-shaped skeg is similar in operation to the familiar winecask, but a readily accepted carry-on commodity, and Lion expects similar success for its product.

Skeg manufacture differs from that of the winecask, however, in that it is a pressure vessel, working similarly to the traditional beer keg.

There has been little overseas success to date in developing a carbonated "beverage in bag" pack, that successfully retains the necessary gases, and the local product is reportedly attracting considerable overseas interest.

The success of the beer skeg trials to date has encouraged Lion to look towards tapping a national rather than regional market and a national release of the skeg is reportedly planned for the summer season.

The novelty and convenience of the skeg is expected to add to traditional bottle sales to some extent.



EPS produce containers given okay

The rapidly growing use of expanded polystyrene containers (EPS) as a packaging material for fruit and produce has advantages which far outweigh any criticisms of the material by the Australian environmental lobby, concludes an investigative report carried out by the Plastics Institute of Australia.

The report, published in the institute's *Plastic Digest*, claims that the use of the EPS produce container means better prices for growers and better-quality fresh fruit and vegetables for consumers.

It says the energy consumed in the manufacture of EPS containers is small in amount and abundant in supply, and their use within the distribution system enables energy to be conserved elsewhere.

While designed as a one-way container, a high proportion of EPS containers is in fact being reused, the institute believes. The remaining containers are satisfactorily disposed of by burial, and in the future these will be recycled into other useful products.

The report says that the traditional produce container, the renewable wooden half-cask, has now virtually disappeared from the scene, because of the high cost and short supply of suitable timber, the high labour costs involved in repairing it and other factors associated with handling.

The institute maintains also that produce suffers less physical damage in EPS containers, which have excellent insulating characteristics - essential for the distribution of produce - and which provide a

far more convenient produce-packaging system.

The Plastics Institute of Australia says the reuse of EPS containers is in fact a reality. An estimated 50 per cent of EPS produce containers used in Australia find their way into the distribution system.

A number of merchants collect used containers from supermarkets and green grocers, pay the retailer a price of 5 to 10 cents a unit, and then, after sorting the containers and sanding off any printing that identified the original owner, they resell them back to growers.

Interestingly, the EPS produce containers are also being reused for other purposes. Large quantities are being sold or given away by retailers to customers for use as planters or for the propagation of seedlings.

Apart from the volume taken up by the containers, the institute says in its report, they cause no other problems when buried.

Contrary to what many people believe, the fact that they are not degradable is a reason why they are suitably disposed of in this way.

Because EPS is inert it is as suitable a landfill material as dirt, broken concrete, bricks and other materials, which also do not undergo decomposition, the institute says.

The institute points out also that EPS containers can be satisfactorily burnt in properly designed high temperature incinerators. As with other organic products such as paper and wood, EPS gives off carbon monoxide when burnt but

according to the CSIRO, the potential toxic hazard from burning EPS appears to be no greater than that for wood.

Burning EPS also gives off a black smoke when insufficient oxygen is present and for this reason the use of backyard incinerators is not recommended.

Contrary to popular belief, EPS containers are not manufactured from oil. EPS is a downstream petro-chemical product from styrene monomer and this product, in turn, is made from benzene and ethylene in a weight ratio of about three parts to one.

The major component, benzene, is a by-product of the steel producing coke works, which use black coal and the institute says Australia has abundant black coal deposits for many hundreds of years.

Ethylene is produced from ethane, one of the minor constituents of natural gas. Last year the total Australian production of EPS produce containers used an estimated 450 tonnes of the total consumption of 86,000 tonnes of ethane from Bass Strait natural gas. Ethane in turn represented only 3.7 per cent of total recovered natural gas product.

The institute says in its report that the energy used in the manufacture of EPS produce containers is more than offset by the fuel saved in transport because of the product's lighter weight, and in the near future the EPS containers now being disposed of in sanitary landfills will be reclaimed and the material used in the manufacture of other products.

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